By Mr. DELANEY: A bill (H. R. 12965) for the relief of the Mizrach Wine Co.; to the Committee on Claims.

By Mr. DOUGLASS of Massachusetts: A bill (H. R. 12966) for the relief of the Massachusetts Bonding & Insurance Co., a corporation organized and existing under the laws of the State of Massachusetts; to the Committee on Claims.

By Mr. HOGG of Indiana: A bill (H. R. 12967) granting an increase of pension to Elizabeth Plasterer; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12968) granting an increase of pension to Harriet E. Hess; to the Committee on Invalid Pensions.

By Mr. HOLLISTER: A bill (H. R. 12969) granting Briggs Cunningham Jones the privilege of filing application for benefits under the emergency officers' retirement act; to the Committee on Naval Affairs.

By Mr. HOPKINS: A bill (H. R. 12970) granting an increase of pension to Anna Aughinbaugh; to the Committee on Invalid Pensions.

By Mr. KLEBERG: A bill (H. R. 12971) for the relief of D. E. Sweinhart; to the Committee on Claims.

By Mr. MOREHEAD: A bill (H. R. 12972) granting an increase of pension to Fannie Bates; to the Committee on Invalid Pensions.

By Mr. MURPHY: A bill (H. R. 12973) granting an increase of pension to Anna M. Thompson; to the Committee on Invalid Pensions.

By Mr. SNELL: A bill (H. R. 12974) granting an increase of pension to Agnes C. Johnson; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

8532. By Mr. CRAIL: Petition of Studio Carpenters' Local Union, No. 946, Los Angeles, Calif., favoring the enactment of legislation providing for a $5,000,000,000 bond issue for necessary public improvements to give employment and relief to the people; to the Committee on Ways and Means.

8533. By Mr. LINDSAY: Petition of National Cooperative Council, Washington, D. C., urging the repeal of the agricultural marketing act; to the Committee on Agriculture.

8534. By Mr. RANSLEY: Resolutions from the Philadelphia Wool and Textile Association, favoring the abolition of those activities of the Government for so-called farm relief, which have proved to be impractical, wasteful, and at the same time harmful to business, to the end that further drains upon the Federal Treasury for such purposes may cease; to the Committee on Expenditures in the Executive Departments.

8535. By Mr. RUDD: Petition of National Cooperative Council, Washington, D. C., favoring the repeal of section 9 (known as the stabilization clause) of the agricultural marketing act; to the Committee on Agriculture.

SENATE

THURSDAY, JULY 14, 1932

(Legislative day of Monday, July 11, 1932)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

The VICE PRESIDENT. The Senate will receive a message from the House of Representatives.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Chaffee, one of its clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 12280) to create Federal home-loan banks, to provide for the supervision thereof, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. STEAGALL, Mr. STEVENSON, Mr. GOLDSBOROUGH, Mr. MCFADDEN, and Mr. STRONG of Kansas were appointed managers on the part of the House at the conference.

The message also announced that the House had passed the bill (S. 4747) to provide for the entry under bond of exhibits of arts, sciences, and industries, and products of the soil, mine, and sea, with amendments, in which it requested the concurrence of the Senate.

The message further announced that the House had passed without amendment the bill (S. 3276) to amend the act entitled "An act to promote the production of sulphur upon the public domain within the State of Louisiana," approved April 17, 1926.

The message also announced that the House had passed a bill (H. R. 8374) to authorize the settlement, allowance, and payment of certain claims, and for other purposes, in which it requested the concurrence of the Senate.

MERGER OF DISTRICT STREET RAILWAYS

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Vermont [Mr. AUSTIN] that the Senate proceed to the consideration of House Joint Resolution 154, to authorize the merger of street-railway corporations operating in the District of Columbia, and for other purposes, and the Senator from Nebraska [Mr. NORRIS] is entitled to the floor.

Mr. BINGHAM. Mr. President, would the Senator from Nebraska be willing to yield to permit a motion to be offered for the reconsideration of the vote by which the farm aid bill was passed on yesterday?

Mr. NORRIS. The Senator does not want to take it up now, does he?

Mr. BINGHAM. I want to make the motion to ask for a return of the papers at once, as I understand the House is likely to consider the measure this morning. It may not be that the Senate will agree to a reconsideration.

Mr. NORRIS. I would not have any objection to yielding for the purpose of entering the motion, but, as I understand it, the papers in the case referred to have already been sent to the House, and that means the motion would be debated before bringing the papers back. It might lead to unlimited debate. I would rather the Senator would wait until I am through. I would rather not yield for that purpose.

Mr. LA FOLLETTE. Mr. President, will the Senator yield to me to enable me to suggest the absence of a quorum?

Mr. NORRIS. Yes; I will yield for that purpose.

Mr. SHIPSTEAD. Mr. President, will the Senator from Wisconsin withhold the suggestion for a moment?

Mr. LA FOLLETTE. Very well.

Mr. NORRIS. I yield.

Mr. LA FOLLETTE. I would like to ask the Senator from Connecticut whether he has consulted with the Senator from South Dakota [Mr. NORBECK], the author of the bill? As I understand it, the Senator from South Dakota is engaged in a conference meeting this morning. It seems to me he ought to be notified.

Mr. BINGHAM. I shall not press the motion to reconsider, merely the motion to ask for return of the papers.

Mr. NORRIS. It all means that the motion to reconsider will probably result in the bill being debated until it is too late to get action in the House. I decline to yield.

The VICE PRESIDENT. The Senator from Nebraska declines to yield.

Mr. BINGHAM subsequently said: Mr. President, I desire to enter a motion to reconsider the action of the Senate whereby the bill known as the farm aid bill, introduced by the Senator from South Dakota [Mr. NORBECK], was passed on yesterday.

Mr. NORRIS. Mr. President, has the bill been sent to the House?

The VICE PRESIDENT. It has been messaged to the House.

Mr. NORRIS. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator from Nebraska will state the parliamentary inquiry.

Mr. NORRIS. A motion made to reconsider could not be considered or entertained unless the papers are returned, could it?

The VICE PRESIDENT. Under the rule the motion can not be considered until the papers are returned. Also under the rule the motion to reconsider shall be accompanied by a motion to return the papers and action upon the motion calling for the return of the papers is to be taken without debate.

Mr. NORRIS. Would not the consideration of the motion lead to debate?

Mr. BINGHAM. The motion is not debatable and will not, therefore, lead to discussion.

The VICE PRESIDENT. The motion to return the papers is not debatable.

Mr. BINGHAM. In view of that fact I hope the Senator will not object.

Mr. SHIPSTEAD. Mr. President——

The VICE PRESIDENT. The Senator from Nebraska has the floor. Does he yield to the Senator from Minnesota?

Mr. NORRIS. I yield.

EMPLOYEES OF GOVERNMENT PRINTING OFFICE

Mr. SHIPSTEAD. Mr. President, I ask unanimous consent to introduce a substitute for Senate Joint Resolution 200 now on the table. This substitute is suggested by Mr. Carter, the Public Printer, at my request. I am informed that this substitute has been submitted to the Comptroller General McCarl's office, who gave an informal opinion that the aim to be accomplished by Senate Joint Resolution 200 can only be attained by the adoption of this substitute.

The joint resolution (S. J. Res. 205) relating to leave with pay for employees of the Government Printing Office was read the first time by its title, and the second time at length, as follows:

Whereas under authority of existing law it is the practice of the Government Printing Office in granting annual leave with pay to grant such leave only after the employee has earned during the fiscal year the full 30 days' leave; and

Whereas the practice in other Government departments has been to grant leave as earned at the rate of two and one-half days per month; and

Whereas the employees of the Government Printing Office in accordance with section 103 of Title I of Part II of the legislative appropriation act for the fiscal year ending June 30, 1933, will be deprived not only of leave earned during the fiscal year 1932 but also of leave earned during the fiscal year 1933, and the annual leave with pay accumulated during the fiscal year 1934 will not be available until after June 30, 1934; and

Whereas under the provisions of existing law employees of the Government Printing Office are not now and never have been entitled to sick leave with pay; and

Whereas the effect of such section 103 of such legislative appropriation act of 1933 discriminates against employees of the Government Printing Office: Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding the provisions of section 110 of Title I of Part II of the act entitled "An act making appropriations for the legislative branch of the Government for the fiscal year ending June 30, 1933, and for other purposes," approved June 30, 1932, all moneys returned to the Treasury on account of furlough and pay reduction from the wages and salaries of employees of the Government Printing Office under said act are hereby reappropriated as they become available for use by the Public Printer in payment of leaves of absence earned by said employees during the fiscal year ended June 30, 1932; such payments to be in lieu of time off on account of said earned leaves of absence and in full compensation therefor; and all payments so made shall be in alphabetical order beginning with employees of the lowest grade and those who may die or be separated from the rolls during the fiscal year 1933, but shall not include payments for any leaves of absence earned during the fiscal year 1933.

Mr. SHIPSTEAD. Mr. President, I ask unanimous consent for the immediate consideration of the joint resolution.

The VICE PRESIDENT. Does the Senator from Nebraska yield for that purpose?

Mr. NORRIS. That, too, will lead to debate.

Mr. SHIPSTEAD. I do not think it will. If it does, I shall withdraw my request.

Mr. ROBINSON of Arkansas. Mr. President, I do not think consideration of the joint resolution will call for much debate.

The VICE PRESIDENT. Is there objection to the request of the Senator from Minnesota?

Mr. JONES. Mr. President, I am heartily in favor of the joint resolution, but it ought to go to a committee and be reported back to the Senate first before we take action on it.

Mr. SMOOT. Under the rule it will have to go to a committee.

The VICE PRESIDENT. Without objection, the joint resolution will be referred to the Committee on Appropriations.

UNIT BANKING

Mr. DAVIS. Mr. President, I ask unanimous consent to have printed in the RECORD of to-day's proceedings an address on the subject Holding the Line for the Unit Bank, delivered by H. B. McDowell, prominent Pennsylvania banker, vice president of McDowell National Bank, of Sharon, Pa., before the Thirty-eight Annual Convention of the Pennsylvania Bankers' Association, held in Pittsburgh May 17, 18, 19, 1932. Mr. McDowell is the son of the late Alexander McDowell, former Member of Congress at large from the State of Pennsylvania and later Clerk of the House of Representatives, and is at present a member of the executive council, American Bankers' Association, and past president of Pennsylvania Bankers' Association.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

HOLDING THE LINE FOR THE UNIT BANK

Mr. President, ladies and gentlemen of the Pennsylvania Bankers' Association, and guests, I have been asked to discuss with you the subject of pending bank legislation in Congress, particularly as it concerns unit banks. My text, therefore, is taken from Senate bill No. 4412, page 44, section 19, beginning at line 18, as follows:

"Paragraph (c) of section 5155 of the Revised Statutes, as amended, is amended to read as follows: '(C) A national banking association may, with the approval of the Federal Reserve Board, establish and operate new branches within the limits of the city, town, or village, or at any point within the State in which said association is situated: *Provided*, That if by reason of the proximity of such an association to a State boundary line the ordinary and usual business of such association is found to extend into an adjacent State, the Federal Reserve Board may permit the establishment of a branch or branches by such association in an adjacent State, but not beyond a distance of 50 miles from the place where the parent bank is located. No such association shall establish a branch outside of the city, town, or village in which it is situated unless it has a paid-in and unimpaired capital stock of not less than $500,000.' "

This simple statement means that if a national bank has $500,000 and upwards of paid-in capital it can establish branches in any part of the State in which it is located; and if it happens to be near the border, it can spread out for 50 miles into another State, whether the State laws in either State permit branch banking or not; and, further, even if the State laws absolutely prohibit branch banking. This, in my opinion, is intended only as the forerunner of nation-wide branch banking.

HISTORY OF BRANCH-BANKING PROPOSAL

Before going into the merits of this revolutionary proposal may I set forth a series of events that have led up to the legislation now before Congress? This discussion naturally divides itself into two parts, which are interrelated to a larger extent than would appear on the surface.

While there have been advocates of branch banking for many years, the first serious effort for a broad adoption of the principle was made in the American Bankers' Association convention at Los Angeles in 1925, where it was sought to place the convention on record in favor of branch banking. This effort was defeated, and the issue remained more or less dormant until 1928.

In May, 1928, Hon. John W. Pole in an address before the Maryland Bankers' Association at Atlantic City pointed out that 5,000 banks had failed, with liabilities of one billion five hundred million. He recommended as a cure enactment of a Federal law which would permit national banks in large cities to engage in branch banking within so-called trade areas.

The comptroller overlooked in this address the time over which these failures took place and the general location of the failed banks. Also that the total average assets per bank were only $300,000. Nor did he make any statement as to the actual final loss to depositors. Since large banks were included in his figures, he might have stated that many of the failed banks were very small and had no sufficient prospect of success even at the time their charters were granted. Had he pointed out that in the 9 years prior to 1928 only 121 banks had failed in the 14 Eastern States, including Ohio on the west and Maryland on the south; that in that same period there had been no failures at all in the State of New Jersey, only 6 in the State of Maryland, and only 36 in the State of Pennsylvania; that New York, Pennsylvania, Ohio, and West Virginia had the lamest record during this period, and that 6 of these 14 States had had only 1 failure each in 9 years; then these certainly would have been no cause for alarm about the unit-banking situation so far as these 14 Eastern States were concerned.

The reasons for the failures, which could have been cited in 1928, were that too many charters had been granted in all States, so that competition had been forced on established banks, both

by State and Federal authorities. In my own community one National and two State banks chartered, where no more were needed, have passed out of the picture.

The failures in New York, Pennsylvania, Ohio, and West Virginia, the 4 States of the 14 Eastern States having the greatest population and the largest number of banks, can be assigned to specific reasons in addition to the excess number of chartered banks.

(a) In New York—to speculation together with faulty and dishonest financing.

(b) In Pennsylvania—to a changed bituminous-coal situation in the western section, and a changed anthracite-coal situation in the eastern section, these changes due partly to State and Federal governmental interference. Also, real-estate speculation on the part of building and loan associations in the eastern part of the State caused much distress.

(c) In Ohio—to competition of banks with building and loan associations operating under laws very detrimental to banks, causing highly inflated real-estate prices.

(d) In West Virginia—to the bituminous-coal situation.

It must be admitted, in view of the foregoing, that bank management of any type—whether in centralized or unit banks, could not have controlled these conditions, nor could it have expected to cope successfully with, for instance, cotton and real estate in the South—wheat and farm products in the West—and the changes we experienced in basic industries in the Eastern States, including ill-advised building and loan competition operating under State law.

As a matter of fact the situation might well have been worse, since in addition to the economic recession large banks had sold many issues of bonds and stocks based upon all of the property and types of bad industry enumerated above. Under unified control, sales resistance would have been less and the chance increased for a greater distribution of bonds and securities faulty in their inception and not infrequently based on either ignorance or dishonesty, or both. In fact, one of the main contentions for branch banking is that a wider and more economical distribution of securities could be had, and a more mobile pool of accumulated savings would be available for the financial centers. Under that sort of control, one wonders to what lengths our recent debacle in investment securities might have taken us.

MORE HISTORY

The figures of 1928 showed that 121 banks had failed in the 14 Eastern States in the 9 years, while 4,439 had failed in the United States as a whole—a percentage of 2.7 per cent for the Eastern States. Had the facts been given the publicity they so richly merited, I firmly believe much of the trouble in the East would have been averted.

Starting about the time of the comptroller's 1928 address, many financial writers, speakers, and alleged authorities turned loose a running fire of propaganda which indiscriminately attacked country banks and held up branch banking as the cure for a "bad banking system." This in spite of the fact that the unit system had operated successfully in the Eastern States. It is significant that during the next two and one-half years to July 1, 1931, failures in Eastern States increased to 340, against a previous record of 121 failures in 9 years.

By July 1, 1931, there had been a total of 7,193 failures in 11½ years, divided as follows:

In 14 Eastern States	340 or	4.7 per cent
South of Maryland and east of Mississippi River	1,525 or	21.3 per cent
West of Ohio in remaining States	5,328 or	74 per cent
	100	per cent

This represents an increase from 1928 of 2,754, or more than 62 per cent, after the attack began. I am sorry that later figures are not available.

Published articles appeared in the Saturday Evening Post, Harper's, Atlantic Monthly, World's Work, Standard Statistics, Moody's, Business Week, and many other periodicals, including the daily newspapers, all pointing to the weakness of the unit-bank system and of country banks in particular. Many of these articles had every indication of being inspired by individuals and interests wishing to advance the branch-bank idea.

One of the most unfortunate omissions was that all failures of groups and chains were placed in the unit-bank-failure column. Not one official word, even yet, has appeared concerning the extraordinary failures centering about Louisville, Ky., where a group operating under the guidance of Rogers-Caldwell carried down almost 100 banks. Nor has much been said about the branch-bank experiments in New York, where many consolidations took place, and the failure of the Bank of the United States carried down more than 57 corporations; or of the Bankers Trust Co. in Philadelphia, with its 21 branches; or of Toledo, Canton, Youngstown, Ohio; New York, Boston, Chicago, Louisville, and other cities where branch or group banking is established. The assets tied up by these failures are of far greater amount than those of all the failed country banks put together. The contrast between these totals in the Eastern States is particularly impressive.

And while much has been heard, nothing has thus far been said about the situation in California, except that their climate remains soft and balmy.

Moreover, it should not be forgotten that these very failures of city banks adversely affected country banks and in many cases brought about their failure, also, because the city bank carried country bank reserve funds as well as funds in transit, both aggregating huge totals.

I assert that research and declaration have not sought the fundamental truth, namely, that one seat of the trouble was in too many banks. The record shows that North Dakota had one bank for every 750 of its inhabitants, and Iowa one for every 1,400. The situation in these States was not exceptional. On the contrary, an excessive number of banks had been established throughout those sections of the country mainly devoted to agriculture. It is admitted, also, that a further cause of difficulty and eventual failure was the Federal reserve act, which removed from city banks the cost of the transfer of funds and placed it upon the country banks by denying the latter the right to charge for checks drawn on them and sent for collection by their city correspondent banks.

Another contributing cause for uncertainty and bank failures has been the interference of the Federal Government in loaning money through the Federal farm-loan banks and joint-stock land banks, which have dumped surplus funds in prodigious quantity into agricultural sections at the same time, hampering the banks in their ability to loan money safely.

SOWING SEEDS OF DISCONTENT

For more than five years the unit bank has been under a constant fire of propaganda from writers and speakers, thus actually creating "events and circumstances" for immediate as well as ultimate use. The first and perhaps the greatest exponent of this art was the well-known P. T. Barnum. He has to-day many apostles in our centers of financial influence. While the Chicago troubles were on, articles in Moody's Letters and in Standard Statistics pointed to a "Recurrence of failures among country banks." Babson's Service also did a bit of pointing in the wrong direction. While the Pittsburgh troubles were on, the Pittsburgh Post-Gazette of October 26, 1931, spoke of troubles among country banks. Business Week, of September 17 and 24, 1931, spoke of weakness of country banks in the midst of grave troubles in New York, Philadelphia, and Chicago. Only last summer the president of a large Detroit bank said in an address having wide circulation that Federal legislation would be proposed for the purpose of preventing failures among country banks.

What the public might actually have been told was the course of procedure within the "big tent," meaning, of course, those unavoidable ceremonies within the larger groups where "shotgun weddings" of banks took first place in the order of the day's business. [Applause.]

POINTS OF VIEW

It is interesting to note here the vigorous opposition of city bankers to those provisions of the Glass bill dealing with holding companies and security affiliates.

In the May issue of the Atlantic Monthly, Mr. John T. Flynn describes "The Science and Art of Ballyhoo" as practiced by Edward L. Bernays. Mr. Bernays has established a very lucrative business dealing with the science of unconscious mental processes. He deals with the psychology of the crowd and he controls or directs mass thinking through group leaders. He sells his services. I do not know who has directed the propaganda for branch banking, but the methods used follow very closely those employed by Bernays.

First the attention of the public was called to the great number of bank failures, avoiding all suggestion as related to group, branch, and chain failures. Then the great strength of city banks was played up in contrast to the alleged weakness of country banks. Scant attention was given to city bank failures. The large tie-up of assets in cities as contrasted to the small asset tie-up in the country was missed as clean as a whistle. Then we had the testimony of the big boys before the Banking and Currency Committee, then interviews in newspapers and periodicals, and now more statements, from which I quote as follows:

Mr. Robert O. Lord, president of the Guardian-Detroit Union Group (Inc.), in the Wall Street Journal of May 3, says: "If the Glass bill in its present form becomes law and permits state-wide branch banking, there will not be the slightest danger of big banks obtaining sole control."

I have recently read in the May 7 issue of the Michigan Investor an address delivered by Mr. Lord before the Bankers' Club of Detroit at their semiannual banquet, in which he makes several statements and arrives at some conclusions. In regard to this I would only have this comment to make: That, having started with a wrong premise, Mr. Lord naturally arrives at a wrong conclusion, and when he says, 'that upon the enactment of the branch-banking provisions of the Glass bill there will be a greater anxiety on the part of the country banks to be taken over as branches than on the part of the city banks to take them over," it is permitted to raise a considerable question as to the accuracy of this statement in view of the opinions which I have heard expressed by several Michigan bankers outside of Detroit. In fact I believe the weight of opinion in both number and amount would be very much against the statements contained in Mr. Lord's address.

The vice president of a large New York trust company, in the Philadelphia Public Ledger and the Wall Street Journal of April 30, was quoted as declaring in an interview with President Hoover that the branch banking section of the Glass bill is of vital importance to the country. This gentleman has since said that the subject of branch banking was not even mentioned in his interview.

Royal Meeker, the economist, is quoted as having said that the national banks hail with joy the thought of Federal control of all banking processes.

Since these published items are all of the same cloth, it is pertinent to recall that the same sequence of events—namely, the World War, followed by the boom of 1919 and part of 1920, and the collapse of 1920 and 1921—which undermined a great many of our small agricultural banks, also undermined great branch-banking systems in many parts of the world. These failures include a great bank in Denmark; a great bank in Canada with 400 branches; the Banque Industrielle de Chine in China, with its widespread branches; the Banca di Sconto in Italy, with branches spread all over that country; and more recently the collapse of great branch-banking systems in Japan and Austria. In all parts of America the great bulk of unit banks as measured by resources survived the shock, and in every State the majority of unit banks in number and resources stand intact. As a matter of fact, despite the present business recession, more than 95 per cent of all bank resources are still intact.

THE AMERICAN BANKERS' ASSOCIATION ATTITUDE

May I refer to the position assumed by our own American Bankers' Association officers, who were instructed at Cleveland in 1930 to uphold the autonomy of State laws with regard to branch banking. Before the Senate committee they vigorously opposed certain other features of the bill which had not been anticipated by their members, and upon which no instructions had been given. Aside from the strong testimony of Mr. Rudolph S. Hecht, chairman of the economic policy commission, the official position taken by the American Bankers' Association on section 19 is weak indeed. I quote from a statement as follows:

"In regard to section 19 of the bill covering branch banking, we call attention to the resolution of the American Bankers' Association adopted at Cleveland in 1930 which reaffirms its belief in the unit banks, modified to the extent that community-wide branch banking in metropolitan areas and country-wide branch banking in rural districts, were economically justified, may be desirable, but in every respect preserving the autonomy of the laws of the separate States in respect to branch banking."

"Neither the executive council nor any committee of the association has power to take any position in conflict with the action of the convention."

Now, just what does this conclusion mean? Does it mean they are still of the same opinion as they were in 1930, or does it mean that because their hands are tied is the only reason why section 19 is not now indorsed? It certainly does not explain why it is that a vigorous protest against section 19 was not entered by the officers of the association in accordance with the convention mandate.

As the late Phineas T. Barnum might say: "The herd is now ready to tumble and throng its way past the box office." In other words, we are told in effect that the psychology of the mass has been prepared so that they will now accept branch banking as a cure for our present ills. Let me say, gentlemen, that if the unit bankers of America are not willing to accept that verdict, they must take off their coats and go to work.

I like to think I have many friends among city bankers for whom I have great respect. But to them this is simply an academic question. Even though many oppose branch banking, they know they can not be hurt by it, and besides a widening of their field may be of value to them in the future. Let us not fool ourselves by thinking that the public has any interest in this question except as they have been taken over by propaganda. The public, which does not understand the strangulation of branch banking, has only one interest—namely, that banks stay open. Unit bankers who want to preserve their business can not pass the buck to anyone. We must do the work ourselves, even though this warning may come to many of us as a distinct shock. Remember—

"Still as of old, man by himself is priced,
For 30 pieces of silver, Judas sold himself—not Christ!"

OTHER PHASES OF THE PROBLEM

May I refer to other phases of this problem? Commercial banking is not the only necessary and legitimate function of banks. Other bank services, however, seem to be receiving scant consideration at the hands of legislators. The time has not yet arrived when we must bend the knee and acknowledge as our sole god or king the creation and distribution of goods.

Twenty years ago character was considered to be an asset, and the elder Morgan once said something to the effect that he would rather loan to a man with good character than to a man with a good statement. To-day there is a great hue and cry for absolute liquidity, supported by balance sheets, which in many cases would exclude character loans. After all, the experience of the past few years might lead our Federal authorities to believe that character was an absolutely extinct asset; but out in the country districts we still know some honest folks, and maybe they can't pay in 30 days, but they will pay.

Before taking up some of the other things that have caused bank failures over the 12-year period from 1920 to 1932, let me observe that in spite of the record of the failures that those who were fortunate enough to have deposits in banks, either open or closed, during the past few years will come out with a much greater percentage of their principal left than they would have had if they had invested it in many of the so-called good securities which were offered with high recommendations.

And when we speak of consolidation and the economy thereof let us remember that corporations in the United States doing a business of one hundred and twenty billions in 1930 earned less than 1 per cent on the capital invested, and the record in 1931 and so far in 1932 is much worse. The overhead is hard to control.

The world was thrown out of joint by the World War. Ever since the armistice artificial respiration has been induced and we have tried to solve our difficulties by giving various kinds of shots in the arm to the sick patient.

We have had frequent but incomplete debt settlements. We have had a controlled money market. We have had conferences, and more conferences, and experiments. In December, 1930, a conference of the heads of the trade bodies was held at Washington. There was no use of it unless those who spoke were to give a true picture of their particular industry. In the light of later events it appears that most of those who spoke were, to say the least, not well informed. The conference was followed by private agreements not to reduce wages, on the theory that if labor costs were kept up commodity prices would soon be dragged up by the boot straps. Everyone was encouraged to believe that prices would rebound within a short time, but this did not work.

Again, we realize that central bank interest rates are manipulated throughout the world. So poorly have world finances been handled that Germany has had to establish an international barter clearing house. The Federal reserve banks buy Government bonds. The price goes up. Perhaps, whenever they stop buying, or when more bonds are issued, the price will come down. How far down? Is the question. Some think there is a world-wide necessity for credit inflation. To what extent is it necessary and when will our leaders stop inflating it?

Again, when the Interstate Commerce Commission grants to a railroad the right to issue bonds, should a banker be condemned for having bad judgment if he thinks the proceeds are to be used for railroad purposes? In 1928 such a privilege was granted to the Wabash Railroad. Sixty millions of bonds were issued. The proceeds, I am informed, were used to buy Lehigh Valley and Ann Arbor Railroad stocks. The road is now in receivership.

Likewise in 1928 and 1930 the Interstate Commerce Commission authorized the St. Louis & San Francisco Railroad to issue bonds. In 1932 they say to the same road, "You must reorganize your finances." Meaning, of course, that they must default interest on bonds issued in 1928 and 1930. Many other railroad bonds similarly authorized by the Interstate Commerce Commission are now quoted at receivership prices.

Should a mere banker be censured if he failed to visualize the Interstate Commerce Commission with their "tongue in their cheek"? Frankly, it would seem that somehow those in authority work like the census taker who somehow found the death rate in a certain town was 11.7. On being asked what that meant, he said he did not know unless 11 were dead and 7 were at the point of death.

At some time B. C. there were three wise men in the East—but that was B. C.

In 1931 President Hoover announced a moratorium on foreign governmental debts beginning July 1 and lasting one year. Concerning this, Sir Henry Strakosh, the English economist, wrote as follows:

"A moratorium has been aptly described as 'Insolvency for future delivery.' No debtor wants to be insolvent if he can help it, when delivery time comes, so he strains every nerve to realize assets and to curtail purchases in the intervening period; while creditors—bent upon creating liquid resources, in case the debtors should indeed become insolvent on the day of delivery—do likewise. The result is to double the pressure on realizations and so to accentuate the fall in prices and the lack of confidence it creates." If anyone doubts the logic of this statement, let him look back at what has happened since the moratorium was declared. Let him also look ahead and envision actual default in July, 1932.

In October, 1931, the National Credit Corporation was launched. Later, the Glass-Steagall bill and the Reconstruction Finance Corporation.

My friends, is it any wonder that people are confused and lack confidence? Is it any wonder that bankers everywhere have been unable to interpret movements correctly? And who is there that believes that centralized control of banks through branch banking would, or could, make the authorities any more expert in handling the morphine gun?

In all seriousness, I ask you if in your judgment we should, through the medium of branch banking, turn over our financial destiny to those who assume financial leadership, but who have themselves failed so miserably. Shall we not frankly admit that the idea of safety in "big-banking leadership in America" stands as a hopelessly exploded myth?

AS FOR RESULTS

There must, of course, be changes in banking law. One ought not criticize without offering some suggestion for a remedy. There should be a restriction on the number of charters that can be issued. The capital stock required should be increased so as to eliminate entirely the very small bank that can not profitably exist. I do not see why a code containing the fundamental principles of bank organization and management could not be gotten together, which would be universally adopted by the States in much the same manner as the negotiable instruments act was adopted, and in much the same manner in which the collection code is now being adopted. There are certain principles which are so fundamental that they could be included in such a code; and there would probably be very little difficulty in securing the adoption of the code in all States. If the same fundamental principles were the basic law of both the Federal and State banking depart-

ments, a uniformity could be had which would be of value in strengthening the unit system of banks.

Supervising agencies should be strengthened and enlarged so that complete examinations and honest and fearless bank direction could be applied.

However, there is no substitute for individual initiative. When folks point to the success of Canadian branch banks, I suggest that they go up to the lakes and follow along the American side and then return on the Canadian side. There is the same climate, the same natural resources, and about the same kind of people; but the difference in the growth and development of the two countries is startling. The strangulation that comes of branch bank control is at once apparent.

If you ask why the branch system has survived in Germany, the answer is found in the fact that since the reorganization of February 22, 1932, the Reich has supplied 90 per cent of the capital on one bank—70 per cent of the capital of a second bank—and 70 per cent of the capital of a third bank. The Reich controls the largest bank with the most extensive branch system. Of five most famous banks, only three remain; and the only banks in Germany which did stand up were the unit banks, which have not required Government assistance.

If you want to find out why they survived in France examine the French Government treasury figures showing that the Government absorbed the loss to French banks occasioned by England going off the gold standard.

And then go to Japan and you will find that the Japanese branch-banking system survived the war period of 1914 only to collapse in 1921 and later. Just another moratorium.

According to figures submitted by Senator GLASS before the Banking and Currency Commission, the wealth of this Nation was $376,000,000,000. The largest amount of gold we ever had was a little over five billion, or a ratio of something over 70 to 1. Five billion gold and three hundred and sixty-five billions of credit and property. In a period of three weeks in September and October, 1931, more than $1,000,000,000 of gold was withdrawn from this country. There must have been a shrinkage inevitably of more than seventy billions of credit. Does it not seem to you that this shrinkage, coupled with vacillation in the control of the money market, must have had more to do with bank failures than did inexpert bank management? The New York Times of April 17, 1932, said—"Business property alone has shrunk in value in the last three years by $100,000,000,000." We know that the shrinkage in the market value of stocks listed on the New York Exchange aggregates $64,000,000,000.

Let me say to you that the advocates of branch banking are on their toes and are turning all of these "events and circumstances" to further their ends. So far the unit bankers have been singularly silent. Only a few have spoken.

HELPERS

Charlie Zimmerman, who prevented the adoption of the branch bank resolution at Cleveland in 1930, told the bankers at Williamsport that we would have an organization of unit bankers for our own protection. He also informed the legislative committee of the executive council, American Bankers' Association, that if the association was not willing to appoint a functional committee so that the voice of the unit banker could be heard (for the first time perhaps), then that voice and the medium for its expression will have to be heard through some other avenue. He also reminded the Banking and Currency Committee of the Senate concerning the promotional idea that activates many of the advocates of branch banking. His work on behalf of the unit banker has been outstanding. [Applause.]

Then there is Felix McWhirter, of Indianapolis, president of the State bank division, American Bankers' Association. He gave the executive council at White Sulphur Springs the true American gospel. Many of the unit bankers are like a friend of mine up in Sharon. A preacher asked him if he was not ready to put the devil out of his life. My friend said, "I'm not so sure, the way business is, whether or not I should take on any more enemies."

CONCLUSION

What we are going through to-day is not new. Fifty years ago Prof. William G. Sumner, a professor at Yale, had the following to say: "Extravagant governments, abuses of public credit, wasteful taxation, legislative monopolies and special privileges, juggling with currency, restrictions on trade, wasteful armaments on land and sea, and other follies in economy and statecraft are capable of wasting and nullifying all the gains of civilization." He might have added branch banking as another folly in economy and statecraft, but unfortunately the fallacy was not so well known at that time.

The Glass bill now has preferred status on the Senate Calendar, and its place it held in the House by the Steagall bank deposit guaranty bill. If we are to defeat this strangling, stultifying legislation we must be up and doing.

Let us get busy before we have saddled upon us the Prussian idea of "The state-czar, absolute master of persons and things, which is flourishing and spreading to fantastic perfection in Germany. The German Republic controls all the banks and the movements of capital. It dominates all of the great industrial and commercial enterprises. The new economic constitution suppresses all liberty. The state fixes the scale of wages and the salaries of those in private pursuits. The economic constitution has no author. Each isolated measure has been taken under a supposed necessity; but all of these measures converge toward an economic system controlled and closed as strictly as that of Russia. The revolution evolves under our very eyes, while we continue to look for it in the future."

If unit bankers want to preserve their business and if this Nation of ours wants to have any semblance of individual liberty left, unified control of financial processes through a national system of branch banks must be prevented. The two agencies which can contribute most to that end are the unit bankers of America and the Constitution of the United States. [Applause.]

MAJORITY AND MINORITY STATEMENTS OF APPROPRIATIONS

Mr. JONES. Mr. President, will the Senator from Nebraska yield?

Mr. NORRIS. I yield.

Mr. JONES. It is customary for the chairman of the Committee on Appropriations, after Congress adjourns and within the time limit fixed for the printing of the RECORD, to file a statement regarding the appropriations for the session. I ask unanimous consent that I may have that privilege and also that the minority may have a similar privilege to file a statement.

Mr. McKELLAR. Mr. President, I have no objection, but I want to have the privilege of filing a statement on behalf of the minority.

Mr. JONES. Yes; I have made that a part of my request.

The VICE PRESIDENT. Is there objection to the request of the Senator from Washington as modified by the suggestion of the Senator from Tennessee? The Chair hears none, and it is so ordered.

DISARMAMENT

Mr. FRAZIER. Mr. President, I ask unanimous consent to have printed in the RECORD an article appearing in the New York Times of July 3 entitled "New Phase in the Arms Parley Opens with Hoover's Proposal," written by Raymond Leslie Buell, research director Foreign Policy Association.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The article is as follows:

NEW PHASE IN THE ARMS PARLEY OPENS WITH HOOVER'S PROPOSAL—A DECISION ON A DEFINITE PLAN OF REDUCTION IS NOW ASKED OF THE CONFERENCE, WHICH HAS PASSED FIVE MONTHS IN FRUITLESS DEBATE

(By Raymond Leslie Buell, research director Foreign Policy Association)

One year after his famous proposal for a debt moratorium, President Hoover has again startled the world with a far-reaching and drastic proposal for armament reduction on land, sea, and in the air. He advocates (1) the abolition of "aggressive" weapons, such as tanks, poison gas, large mobile guns, and bombing planes; (2) the reduction of the treaty tonnage of battleships and submarines by one-third, and of cruisers, airplane carriers, and destroyers by one-fourth; (3) the reduction by one-third of the "defense components" of armies.

The plan states that an army has two functions: (a) The maintenance of internal order, (b) defense against foreign attack. Having a population of 65,000,000, Germany was allowed an army of 100,000 by the treaty of Versailles on the theory that this number was necessary to maintain internal order. The President proposes that every country take the German proportion as a basis for fixing the "police" component of its army and then reduce by one-third the remaining effectives, constituting the "defense" component.

WHAT THE PLAN MEANS

It is believed that the adoption of this plan would reduce the number of men under arms in Europe, excluding Russia, by half a million. Moreover, the plan would result in the scrapping of 350,000 tons of ships by the United States, 366,000 by Great Britain, and 267,000 by Japan, or a total of 983,000 tons in comparison with the 1,645,000 tons scrapped as a result of the Washington conference of 1921–22. President Hoover believes the adoption of his proposal as a whole would save the world from ten to fifteen billion dollars during the next 10 years.

From the political standpoint, the proposal has given the arms conference new hope of life; has tended to relieve the United States of responsibility should the conference eventually fail, and has postponed an immediate demand on the part of Europe for cancellation of the interallied debt.

Geneva—First stage

Before analyzing the plan in greater detail and discussing the prospect for its adoption, it may be of interest to review the history of the disarmament conference since its first meeting at Geneva on February 2.

The first stage of the conference ended on March 17, when an adjournment over Easter was taken. During this stage three main proposals for disarmament were made: (1) The Italian proposal for the abolition of aggressive weapons, (2) the Russian proposal for progressive disarmament, (3) the French proposal for an international police.

I. AGGRESSIVE WEAPONS

Signor Grandi pointed out that the treaty of Versailles had forbidden Germany to maintain "aggressive" weapons, such as tanks, heavy artillery, military airplanes, battleships, poison gas, and submarines. Should every government agree to abolish such weapons a great step toward reducing arms would be made. During the first stage of the conference 27 of the 60 represented countries supported either total abolition or the restriction of certain aggressive weapons.

Those who advocated this measure declared that these new weapons of war had destroyed the traditional superiority of defense and that their abolition would make the invasion of a foreign territory, protected by fortifications and machine guns, almost impossible. Such abolition would convert armies into instruments of "defense" in accordance with the spirit of the antiwar pact. Moreover, abolition would be a concrete step toward reduction which could be taken without the necessity of agreeing upon the relative strength of every army in the world; such abolition would make possible an immediate saving in expenditure. Finally, it would be a step toward giving Germany equality with France.

OPPOSING ARGUMENTS

Three arguments were, however, made against the abolition of aggressive weapons. The first was that such a step would put an end to the mechanization of armies and bring about a return to mass movements. The abolition of tanks and artillery would not diminish the tensity of warfare, but merely produce a stalemate, making decisive victory impossible.

In the second place, the paper abolition of such weapons would not prohibit peace-time manufacture, if not in arsenals, at least in private factories. To remove this defect, some form of international supervision of the manufacture of arms and abandonment of industrial preparedness was necessary.

In the third place, it was objected that it was impossible to distinguish between an aggressive and defensive weapon. These arguments for and against aggressive weapons prevented progress being made on this question during the first phase of the conference.

II. PROGRESSIVE DISARMING

While the Italian plan aimed at attacking the problem of material, the Russian proposal for progressive disarmament was confined to man power. Thus M. Litvinov asked that States having armies larger than 200,000 reduce by 50 per cent; States with armies between 30,000 and 200,000 men reduce by a smaller percentage; while States having 30,000 men retain the status quo. This principle was aimed at securing "equality for all," but since its percentages were regarded as too drastic and since the plan ignored the differences between the great and small powers, it was not seriously considered.

III. AN INTERNATIONAL POLICE

The conference was startled on February 5 by a plan submitted by M. Tardieu, then French Premier, for the creation of an international police force. France believed, he said, in giving the league a real executive authority as an essential preliminary for disarmament. The present system of sanctions prescribed by Article XVI of the covenant was inadequate because of the difficulty in obtaining the necessary cooperation of States in times of emergency. If Europe could rely upon a league police force, it could consent to drastic disarmament.

Tardieu proposed the establishment of a small league army, to be supplemented in time of need by national contingents. Moreover, he would place "aggressive weapons" at the disposal of the league and organize an international civil air transport service. The purpose of this latter proposal was to meet the difficulty caused by the ease of converting a commercial into a military plane. If all the commercial aviation systems could be fused into a single international company, no one government could employ commercial planes for military purposes.

PLAN HELD PREMATURE

Although the plan of internationalizing civil aviation met with wide approval, even those who believed in the principle of international sanctions regarded the international police plan as premature. In fact, some observers were unkind enough to suggest that the Tardieu Government had advanced the plan in order to have a reason not to disarm. On June 20 the new Herriot Government announced that, for the time being, it had abandoned the idea of a league army.

Although the first stage of the conference did not arrive at any definite agreement, it was generally believed the conference would accept (1) the principle of budgetary limitation, (2) the abolition of poison gas, (3) the establishment of a permanent disarmament commission, (4) and possibly some method of internationalizing civil aviation in Europe.

The second stage

When the conference reconvened on April 11 Ambassador Gibson, head of the American delegation, accepted for the United States the idea of eliminating aggressive land weapons, such as tanks and heavy artillery. On April 15 Secretary Stimson arrived in Geneva and carried on conversations with the various delegations, including Prime Ministers Bruening, Tardieu, and MacDonald. Although at first the United States wished to limit the principle of aggressive weapons to armies, it finally agreed to the inclusion of navies.

In a resolution of April 22 the conference accepted the principle of "qualitative" disarmament, and instructed the special commissions to examine all armaments, whether naval, land, or air, with a view to selecting those weapons which are "aggressive" in character. On May 1 Mr. Stimson left Geneva, having failed in his plan to hold a further discussion over reduction of armies with the German and French prime ministers, because of M. Tardieu's illness in Paris.

DIFFERENCES APPEAR

Although the military experts who shared in shaping the treaty of Versailles had little difficulty in determining what weapons should be prohibited to Germany, the expert commissions of the Geneva conference could reach no agreement despite a month's debate. On May 26 the naval commission presented a draft report exhibiting an insoluble difference over the battleship and the submarine. Eleven countries, including France, Germany, and Italy, expressed the belief that the battleship above a certain size was an aggressive weapon. The three leading naval powers—the United States, Great Britain, and Japan—took the opposite view; they did not wish to abolish the basis of their naval supremacy over France and Italy.

The same division occurred over the submarine. The small countries regarded the submarine as the best "defense" against the battleships of the great powers; the United States, Great Britain, and Argentina believed, however, that the submarine was an "aggressive weapon."

On June 6 the land commission made a report revealing similar differences. It declared that all artillery could be used either for offensive or defensive purposes.

DISAGREEMENT ON AVIATION

Finally, two days later, the air commission reported that the delegates could not agree that bombing planes were any more aggressive than other types. It followed that the only means of ending the bombing danger to civilian populations was to abolish all aviation, which no one would consider.

These reports demonstrated that there were no technical criteria by which aggressive could be separated from defensive weapons.

Confronted by this anticlimax, the conference began to despair. There were rumors that the European States wished an adjournment for a year, until after the reparations question had been settled, but that the American delegation opposed such adjournment for political reasons. Meanwhile the French elections had resulted in the establishment of a radical socialist government, headed by M. Herriot, one of the authors of the famous but ill-fated Geneva protocol of 1924.

En route to the Lausanne reparations conference, Prime Ministers Herriot and MacDonald stopped off at Geneva on June 13 to see what should be done about the arms conference. A few days later Mr. MacDonald returned from Lausanne to Geneva, where Anglo-French-American conversations were again held.

At this stage it seemed that the idea of abolishing aggressive weapons had been given up. The French apparently proposed that the conference adjourn after agreeing to reduce military expenditures by a figure to be decided upon later, while the British suggested that for a term of years governments should not replace most of the offensive weapons prohibited to Germany by the treaty of Versailles.

The United States, however, was unwilling for the conference to end with these meager results. The press reported on June 19 that Senator SWANSON, one of the delegates, had warned that Washington could not give up its hopes of obtaining a reduction in land armaments, especially when being asked to cancel the interallied debt. One report intimated that if the conference failed, Senator SWANSON would attack debt cancellation in the Senate upon his return. These dispatches brought forth a denial from Secretary Stimson that the debt question had been injected into the situation.

The Hoover plan

At 2 o'clock in the morning of June 22 the league secretariat hurriedly sent out a call for a meeting of the conference. At this meeting the United States presented Mr. Hoover's far-reaching plan for reduction of armies and navies, including the abolition of tanks, large artillery, and bombing planes, and the prohibition of all bombardment from the air.

Although a large number of smaller countries, as well as Italy, came to the support of the Hoover proposal, its acceptance will finally depend upon the attitude of the leading military powers, particularly France. Their attitude is affected not so much by the general reduction features of the Hoover plan as by the following special considerations: (1) The Hoover plan, while proposing a reduction in the armies and navies of other powers, would authorize increases for the United States, particularly in its Army; (2) the plan would severely reduce the present military superiority of France over Germany without giving France any assurances that an extremist government in Germany, once it obtained military equality, would not repudiate all reparations obligations, seize the Polish Corridor, and revive pre-war plans for expansion in central Europe.

I—AMERICAN FORCES

Under the Hoover plan the United States alone will be authorized to carry on new naval construction—in the case of cruisers and aircraft carriers. Moreover, under the Hoover scheme of estimating "police components" the United States, having a population about twice that of Germany, would be authorized to increase its Regular Army from 140,000 to about 200,000 men.

Our Regular Army is already supplemented by a highly efficient National Guard having a strength of 187,000. Moreover the United States maintains 108,210 reserve officers, partly recruited through its Reserve Officers' Training Corps and summer camps. As this large number of officers indicates, the American Army is

not being trained primarily for defense against invasion. But it is scattered in small units all over the country so as to serve, along with our reserve officers, as a skeleton for six field armies of 4,000,000 drafted soldiers, which may be quickly mobilized and transported to Europe following the outbreak of war.

Although President Hoover, in submitting his plan to Geneva, declared that the antiwar pact means that arms must be used "solely for defense," he did not offer to reorganize the American Army so that it would become a purely defensive force. On the contrary, his plan would leave the national defense act of 1920 intact and would permit an increase in our regular Army to 200,000 men. Other countries are quick to point out that armies and navies are not based on any mathematical indexes of population and resources but upon "security" needs. If the United States, the one power in the world that is in no danger of invasion, proposes to increase its naval and military strength while at the same time urging other nations to reduce, the feeling of "insecurity" of countries actually surrounded by hostile neighbors will increase; and, confronted by the example of the United States, they will be less willing than ever to disarm.

An answer to this problem might be found along the lines which it is understood that the American delegation has suggested as a solution of Germany's demand for military equality with France. In return for the recognition of juridical equality, it is proposed that Germany make a unilateral declaration that it will not increase its army and navy for a given number of years. Similarly, the United States, while obtaining the treaty right to increase its Army and Navy for the sake of "parity," might give an undertaking that it would not exercise this right.

II—FRENCH SUPERIORITY

Inasmuch as Germany is already denied the right of maintaining aggressive weapons by the treaty of Versailles, the Hoover proposal to prohibit tanks, bombing planes, and heavy artillery would be a step toward abolishing French military superiority over Germany. Likewise, the Hoover proposal for the reduction of armies would have the same result, as it would reduce the French army from 615,000 to 435,000 men, not including colonial troops.

According to some observers, when the United States brings pressure upon France to surrender its present military supremacy, without undertaking at the same time to strengthen international organization, it is really joining Germany and Italy in asking France to surrender its political objectives in Europe. Such a program, it is urged, only arouses false hopes in Germany, thereby delaying Franco-German rapprochement, and tends to drive an indignant France into the arms of Japan. From this standpoint the Hoover disarmament proposal, unaccompanied by a political agreement, is regarded in France as an attempt by the United States to overturn the present balance of power in Europe.

A SUGGESTED COURSE

The one means by which President Hoover can answer this argument is by offering to strengthen international organization. The purpose of international organization is not to underwrite the present map of the world against change, but to guarantee that changes should not be made by force. It is only with the development of an international organization able to effect an equitable compromise between French and German interest that France can afford to renounce its military superiority.

Although the State Department announced on June 23 that the United States would not consider entering into a security pact with France under any circumstances, it is significant that the Republican platform adopted a week earlier at Chicago declared: "We favor enactment by Congress of a measure that will authorize our Government to call or participate in an international conference in case of any threat of nonfulfillment of Article II of the treaty of Paris."

According to many students, if President Hoover would announce his support of the Capper resolution authorizing the United States to impose economic sanctions against a state deemed to be an aggressor, the possibility that France and the other powers would accept the present disarmament proposal would be greatly increased.

WORLD WAR VETERAN'S ADJUSTED COMPENSATION

Mr. ROBINSON of Indiana. Mr. President, I ask unanimous consent to have inserted in the RECORD a petition in the nature of a resolution presented to me by a number of ex-service men with reference to adjusted compensation. I ask that the resolution may be referred to the Committee on Finance.

There being no objection, the resolution was referred to the Committee on Finance and ordered to be printed in the RECORD, as follows:

JOINT RESOLUTION

To the Members of the Senate and House of Representatives of the United States, greetings:

We, the ex-service men of the United States, after serving our flag and country during the World War, returned to civil life feeling that we had accomplished our goal of preserving democracy within the borders of our country.

We were welcomed back as heroes and modestly found our places in industry and peaceful walks of life. For the first decade we toiled and provided for our families cheerfully in the belief that the Government which we defended would function properly as a cooperative democracy for the good of the greatest number of our citizens.

Our rank and file has not asked for any favors or special privileges which would exclude other classes of citizens. But rather we have opposed all special privileges and class legislation. We have endeavored to remain nonpartisan at all times and exert our meager influence in favor of the majority of our citizens.

But in course of time, after a decade of patient endeavor, we found not only ourselves and families but all the great mass of our citizenry being discriminated against by special class legislation. We found ourselves and neighbors being denied our constitutional rights of life, liberty, and the pursuit of happiness by the indirect method of having the opportunity denied us to work in gainful occupations and provide life, liberty, and happiness for our families.

In our chagrin and despair we decided to exercise our constitutional right to petition our Congress for a redress of grievances. Our previous petitions have been ignored or denied, so we, the ex-service men of the United States, decided to come to the seat of our Government in person and in the name of human rights and in the interest of ourselves and all the loyal citizenry of this country, register a joint protest against the autocratic and unjust usurpation of power and privilege being granted to property rights and the utter neglect of the human element for human rights. We, the ex-service men of the United States, and the degraded citizenry of the United States hereby jointly protest against these intolerable conditions, and: Be it

Resolved, That we favor the expansion of our currency system in like manner as suggested in an amendment of the Federal home loan bank bill, H. R. 12280, which was adopted by the Senate July 11, 1932, except that we urge our Congress to reconsider the method of putting this new currency into circulation.

We hereby urge and recommend in the same patriotic spirit which inspired us in 1917 and 1918, that the needy, unemployed, and disabled ex-service men of the United States be permitted and granted the permission to deposit their adjusted-compensation certificates with the Secretary of the Treasury as collateral for greenbacks at this time, and we promise our Government that we will be more patriotic than the bankers. We will not ask 3⅜ per cent interest, but will allow our Government to use our adjusted-compensation certificates gratis, without any interest, thereby saving our Treasury Department $37,500,000 annually for the next 13 years.

Respectfully submitted.

EX-SERVICE MEN OF THE UNITED STATES.

John H. Balch, 6448 North Seeley, Chicago, Ill.; Paul W. Davis, 377 South Oakland Avenue, Sharon, Pa.; Buell S. Shaw, Parkerville, Kans.; Victor E. Johnson, Seward, Alaska; Walter W. Berg, 6515 Wisconsin Avenue, St. Louis, Mo.; T. W. Sabing, R. F. D. No. 1, Marshall, Tex.; M. B. Beck, 8313 Madison Street, Houston, Tex.; Fred L. Baker, Trinity, Tex.; Hugh L. Scott, 600 Rector, Little Rock, Ark.; H. Hayden, 4721 Bell Avenue, Houston, Tex.; Dr. Samuel Ward, 273 South Third Street, Louisville, Ky.; Christ. Tesdall, 504 East Washington Street, Morris, Ill.

EMPLOYEES ON ISTHMUS OF PANAMA

Mr. BLAINE. I ask that Senate Joint Resolution 201 defining annual leave of Panama Canal and Panama Railroad Co. employees on the Isthmus of Panama be referred to the committee to which was referred the joint resolution recently introduced by the Senator from Minnesota [Mr. SHIPSTEAD].

The VICE PRESIDENT. Without objection the joint resolution will be referred to the Committee on Territories and Insular Affairs.

Mr. BLAINE. I asked that it be referred to the committee which will have charge of the resolution introduced by the Senator from Minnesota, so they may be considered together.

The VICE PRESIDENT. That joint resolution was referred to the Committee on Appropriations. Without objection, the joint resolution of the Senator from Wisconsin will be likewise referred to the Committee on Appropriations.

PROHIBITION—CONSTITUTIONAL AMENDMENT

Mr. NORRIS. Mr. President, when I yielded the floor last night I was discussing holding companies. I want to continue a little farther with that subject.

Mr. LEWIS. Mr. President, before the Senator enters upon that discussion will he permit me an inquiry?

Mr. NORRIS. I yield.

Mr. LEWIS. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. LEWIS. Under the rule does the joint resolution introduced yesterday by the Senator from Virginia [Mr. GLASS], looking to the announcement of the repeal of the

eighteenth amendment, come up in automatic process under any of the rules previous to 2 o'clock to-day?

The VICE PRESIDENT. It does not.

Mr. LEWIS. It can not be called up under the rule?

The VICE PRESIDENT. The Senate recessed last night and consequently there is no morning hour to-day. It will come up during the first morning hour.

Mr. LEWIS. I appreciate the suggestion of the chair. I thank the Senator from Nebraska for his courtesy in yielding.

MERGER OF DISTRICT STREET RAILWAYS

The Senate resumed the consideration of the motion of the Senator from Vermont [Mr. AUSTIN] that the Senate proceed to the consideration of House Joint Resolution 154, to authorize the merger of street-railway corporations operating in the District of Columbia, and for other purposes.

Mr. NORRIS. Mr. President, when the Senate recessed last night I was discussing the question of holding companies and had discussed that subject at some length. I desire this morning to continue the discussion briefly. I want to take up some holding companies which are operating right under the nose of the Congress, right here in the Capital City.

The city of Washington is supplied with electricity by the Potomac Electric Power Co., but the Potomac Electric Power Co. is only a subsidiary company. The parent company is the North American Co. It owns the Washington Railway & Electric Co., one of the street-railway companies of Washington. In turn the Washington Railway & Electric Co. owns the Potomac Electric Power Co. The father of this corporation is the North American Co. Its child, or one of its children, is the Washington Railway & Electric Co. The Potomac Electric Power Co. is a child of that child, being a grandchild of the North American Co. The Potomac Electric Power Co. develops electricity and distributes it in the District of Columbia. It sells electricity to its own father, the Washington Railway & Electric Co. The grandchild makes the electricity, sells it to the child, and the thing is all owned by the child's father, the North American Co. The grandchild sells to the child the electricity at a lower cost than it sells electricity to anybody else. In addition to selling electricity to the Washington Railway & Electric Co., it sells electricity to all the people of the city of Washington, but the Washington Railway & Electric Co., its own parent, is a preferred customer. It gets electricity for less than anybody else. It does not require a very deep study of mathematics to see that the people of Washington are paying more for their electricity than they ought to pay, because a very large portion of the electricity manufactured is sold to a preferred customer.

COST OF ELECTRICITY IN WASHINGTON CITY

I know it may be said that we are getting cheaper electricity in Washington, and if the price be compared with that charged for electricity by the Power Trust all over the United States, that is true; but it is a demonstration of what could be done if the Power Trust which generates and sells electricity all over the United States were compelled to sell to all people alike, to sell at a reasonable profit, and to get rid of these holding companies, these subsidiaries, these children and grandchildren and great-grandchildren and great-great-grandchildren, all owned by holding companies. The only thing that can be said—and I do not know whether it is favorable or not—is they keep the profits all in the family, and the general public is "the goat" that bears the burdens and makes it possible for these children and grandchildren to prefer members of their family and give them special rates.

Another instance of holding companies in the city of Washington has to do with the gas company which supplies gas to all the people of the District of Columbia and, I understand, to some outlying municipalities.

RESTITUTION OF EMPLOYEES OF DETROIT POST OFFICE

Mr. COUZENS. Mr. President, will the Senator yield?

Mr. NORRIS. I yield to the Senator from Michigan.

Mr. COUZENS. On yesterday there was reported from the Committee on Claims House bill 5256, to relieve a number of the underpaid employees of the Detroit post office. I ask unanimous consent that the bill may be considered at this time.

Mr. McKELLAR. Underpaid employees of what?

Mr. COUZENS. Of the Detroit post office. The bill is No. 1093 on the calendar, being House bill 5256. Of course it has passed the other House.

Mr. SMOOT. Is there a favorable report on it?

Mr. COUZENS. It comes from the committee of the Senate with a favorable report.

The VICE PRESIDENT. The Senator from Michigan asks unanimous consent for the present consideration of the bill the title of which will be stated.

The CHIEF CLERK. A bill (H. R. 5256) for the restitution of employees of the post office at Detroit, Mich.

Mr. ROBINSON of Arkansas. Mr. President, I think the Senator should explain the bill.

Mr. NORRIS. Well, Mr. President, I will not yield——

Mr. COUZENS. Will not the Senator yield just for a minute?

Mr. NORRIS. Very well; I yield, but if I yield once, there will probably be a dozen other requests.

Mr. COUZENS. There are only a few bills on the calendar.

It appears that an employee of the Detroit post office nearly six years ago embezzled some postage stamps in excess of the amount of his bond, which was $10,000. The entire embezzlement, I think, was some $19,000. The Government collected all the bond and some retirement funds the man had. He afterwards committed suicide, but, because of his defalcation, the Postmaster General at that time assessed the loss to some six or seven employees in the post office who, he said, should have been more alert and should have caught this man who was embezzling postage stamps. So he assessed them varying amounts.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield?

Mr. COUZENS. Certainly.

Mr. ROBINSON of Arkansas. Was the postmaster proceeding under the law to determine the liability of these employees?

Mr. COUZENS. I do not know whether he was proceeding under the law, but I know that he gave them the alternative of quitting or paying up, and in one case I think he gave an employee the alternative of taking a lower grade. One of them did take a lower grade rather than pay up, but the others paid up rather than lose their jobs. I do not know whether there is any statutory provision for that, but I do state, Mr. President, that he held a gun at their heads and said, "Come across and reimburse the Government or get out of your jobs." These men, of course, had families.

Mr. ROBINSON of Arkansas. What was the total amount of the embezzlement?

Mr. COUZENS. About $19,000 all together, and the Government recovered between ten and eleven thousand dollars on the bond and from other funds.

Mr. KING. I hope the Senator will not ask for the consideration of the bill at this time.

The VICE PRESIDENT. The Senator from Utah objects.

Mr. COUZENS. I hope the Senator from Utah will withhold his objection. This measure has passed the House; it has been before us for five or six years. The Committee on Claims gave the matter very careful consideration. The subcommittee, consisting of the Senator from Massachusetts [Mr. COOLIDGE] and the Senator from Oregon [Mr. STEIWER] gave very careful consideration to it. I went over the papers, and it is simply doing an injustice to hold these employees out of the money which they paid some five or six years ago.

Mr. McKELLAR. Mr. President, I notice the Post Office Department does not recommend the passage of the bill.

Mr. COUZENS. It makes no recommendation. It says that it does not feel justified in making any recommendation; that it is up to Congress.

Mr. KING. I shall object to the consideration of the bill now.

The VICE PRESIDENT. The Senator from Utah objects.

RIGHT OF SENATOR HOLDING FLOOR TO YIELD—INTERPRETATION OF RULE

Mr. REED. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. REED. Does not the Senator from Nebraska lose the floor when he yields for a matter of that kind?

The VICE PRESIDENT. The Chair thinks not, when he yielded for that purpose.

Mr. NORRIS. I would not blame the Chair if he held that I did lose the floor. I want to be courteous, Mr. President, and Senators will understand that it is difficult to refuse them when they say that a request they desire to make will take only a minute. I realize that often it takes much more than that, but I dislike very much to refuse Senators on these important matters.

As the same time, I realize that if the rule were enforced I would not be allowed to do it. I do not want to do it, and I wish Senators would refrain until I have concluded from trying to secure the consideration of other bills unless in the case of some measure that must be acted on before we adjourn. I do not think I ought to be asked to yield. If the Senator from Pennsylvania had made his suggestion to begin with, I would not have yielded to a single one of these interruptions, but I think it would hardly be fair now to take me off the floor.

The VICE PRESIDENT. May the Chair state that under the circumstances he will not hold that the Senator from Nebraska has lost the floor? But the Chair would like to state that the rule specifically provides:

It shall not be in order to interrupt a Senator having the floor for the purpose of introducing any memorial, petition, report of a committee, resolution, or bill. It shall be the duty of the Chair to enforce this rule without any point of order hereunder being made by a Senator.

The Chair having neglected to protect the Senator, he deems he should hold he still has the floor, but the Chair will hereafter hold that a Senator may not be interrupted unless in a matter of very great importance.

Mr. REED. Mr. President, will the Senator from Nebraska yield for a question?

Mr. NORRIS. I yield for a question.

Mr. REED. Am I right in thinking that the Senator understands I did not mean to be unpleasant technically about this matter?

Mr. NORRIS. I understand; I am not finding fault with the Senator.

Mr. REED. But when the Senator yields to some Senators and not to others, I think that we ought to enforce the rule.

Mr. NORRIS. That is a difficult thing, and I do not blame the Senator at all.

The VICE PRESIDENT. The Senator from Nebraska has the floor.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Chaffee, one of its clerks, informed the Senate that Mr. LUCE was appointed a manager on the part of the House, in place of Mr. STRONG of Kansas, at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 12280) to create Federal home-loan banks, to provide for the supervision thereof, and for other purposes.

The message also announced that the House had passed a joint resolution (H. J. Res. 475) making an appropriation for the payment of pages for the Senate and House of Representatives from July 16 to July 25, 1932, in which it requested the concurrence of the Senate.

ENROLLED BILLS SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

S. 3276. An act to amend the act entitled "An act to promote the production of sulphur upon the public domain within the State of Louisiana," approved April 17, 1926;

H. R. 11732. An act to amend section 2 of an act approved February 25, 1929 (45 Stat. 1303), to complete the acquisition of land adjacent to Bolling Field, D. C., and for other purposes; and

H. R. 11897. An act making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1933, and for other purposes.

MERGER OF DISTRICT STREET RAILWAYS

The Senate resumed consideration of the motion of the Senator from Vermont [Mr. AUSTIN] that the Senate proceed to the consideration of House Joint Resolution 154 to authorize the merger of street-railway corporations operating in the District of Columbia, and for other purposes.

Mr. NORRIS. Now, if I can get back to where I was at the time I yielded, I will proceed. I think I was about to refer to holding companies in connection with the gas company in the city of Washington.

Mr. BLAINE. Mr. President, will the Senator yield for a question?

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Wisconsin?

Mr. NORRIS. I yield for a question.

Mr. BLAINE. Does the Senator know that this baby of the North American Co. sells electric energy to the street-railway companies for about half a cent per kilowatt-hour, and then the other baby charges the consumers here in the District of Columbia a trifle over 4 cents per kilowatt-hour for electric energy?

Mr. NORRIS. Yes, Mr. President; I knew that fact. I do not know whether I have brought it out or not. If I have not done so, I thank the Senator for his interruption.

HOLDING COMPANIES

Mr. President, there has been a good deal of action taken, several hearings held, and some orders issued by the Public Utilities Commission of the District of Columbia in regard to the holding companies which own other companies that are supplying gas to the people of Washington.

The tortuous control of the Washington gas system by the Chase National Bank of New York is sketched as follows:

I am reading this from an article in the Washington Daily News.

The commission finds—

This is a quotation and is the finding of the commission; it is an official act; it is part of the official records of the commission of the District of Columbia:

The commission finds that the Chase National Bank is a corporation organized and existing under the laws of New York; that it controls the Chase-Harris-Forbes Corporation; that the Chase-Harris-Forbes Corporation, together with its affiliates, the United Founders Corporation and the American Founders Corporation, organized and control the Public Utility Holding Corporation of America; and that the Public Utility Holding Corporation owns 51 per cent and more of the stock and controls the Central Public Service Co.

The Central Public Service Co. owns and controls the Central Public Service Corporation, which controls the Southern Cities Public Service Corporation, the Public Service Engineering Co., the Safety Engineering & Management Co., the Utility Engineering Corporation, Federated Utilities (Inc.), and the Central Gas & Electric Corporation.

Federated Utilities (Inc.) controls, through a certain defaulted note for $13,725,000, the Westfield Trust. The sole beneficiary of the Westfield Trust is Albert E. Peirce, president of the Central Public Service Co., Central Public Service Corporation, Federated Utilities, Southern Cities Public Service, and numerous other subsidiaries of Central Public Service.

I wonder if any ordinary person will be able to follow that maze of ownership and control of one corporation by another which in turn is controlled by another, and that by another, and so on, until the one at the top is found to control a great number of subsidiaries? But we have not as yet reached the end.

The Westfield Trust owns all of the 171,188 shares of beneficial interest of Washington & Suburban Cos., which owns directly 109,196 shares of the common stock of the Washington Gas Light Co., constituting 84 per cent of the total common stock of that company.

The Southern Cities Public Service Co., a 100 per cent owned and controlled subsidiary of Central Public Service, owns and controls 70,000 shares, constituting all of the preferred shares of Washington & Suburban Cos.

The Washington—

WASHINGTON GAS LIGHT CO.

I am not quoting from the report now, but from the article—

Washington Gas stock was divided between five banking concerns which in April, 1929, entered into an agreement with Central Public Service whereby the latter agreed within two years to "find a purchaser" for the shares of Seaboard Investment Trust, organized for the specific purpose of holding the gas stock. Seaboard's name was later changed to Washington & Suburban Cos.

This is how they purchase, often, some outlying corporations which supply gas to various localities. For instance, the purchase of the Alexandria, Va., and Hyattsville, Md., gas systems are described, together with the posting of 20,000 shares of Washington Gas Light stock in the Riggs National Bank here as security for a loan of $1,000,000 for the Alexandria company. The meager information for the superstructure of holding companies is described as follows:

The said notes and preferred stock require $810,000 per annum in fixed charges and the income of the Washington & Suburban Co. in dividends from all of its holdings does not exceed $450,000, of which $392,371.20 represents dividends from the Washington Gas Light Co.

There is no revenue available to the Westfield Trust for payment of interest on its outstanding obligations, including the $6,000,000 collateral trust note, the $945,650 Washington & Suburban Gas. Co. note, and the $13,725,000 note issued by Westfield Trust for funds received by A. E. Peirce. All of the obligations of the Westfield Trust are in default.

And here is a quotation from the report again. What I have been reading recently is also a quotation from the report:

All of the efforts at management by the Chase-Harris-Forbes Corporation and its affiliates and subsidiaries, including the Central Public Service Corporation, are detrimental and harmful to the Washington Gas Light Co. and increase the costs thereof.

This is still from the report, an official document:

None of the parties hereinbefore enumerated has ever assisted in the financing of the Washington Gas Light Co. The Chase-Harris-Forbes Corporation, through its agents, affiliates, and subsidiaries, has controlled the capital stock of the Washington Gas Light Co. in such a manner that the annual meeting of the stockholders of the said corporation has been successfully continued from January, 1931, and that the said meeting has not yet taken place. All of these exercises of direct management and control were without the consent and without the knowledge of the trustees of Washington & Suburban Cos., and were merely subject to pro forma ratification by the said trustees.

Mr. President, that is right within sight of the dome of the Capitol. Some of the gas comes into the Capitol. It goes into practically every home in the District of Columbia through this maze of corporations, one owning the other, often without the investment of a penny of money, all oiled, all paid for by the consumers of gas in the District of Columbia; and here is the official report of a commission organized under a law of Congress, calling attention to the fact that the people of this Capital City are at the mercy of these corporations.

No one, without months of study, can possibly trace the ownership from one corporation to the other by affiliates, by subsidiaries, by banking corporations, all oiled, all kept in running order by the consumer, as shown in this official report.

Such, Mr. President, is an example of holding companies in the Capital City of the United States.

Mr. President, the method in which holding companies control the necessaries of life in the Capital City of Washington has attracted attention all over the country. Several years ago I made a study of the growth of the Washington Gas Light Co. I traced it from its birth, and the CONGRESSIONAL RECORD will show where I exposed that growth and showed that this company has grown out of almost nothing as far as investment is concerned. There was one time in its history when it had reached a capitalization of $2,600,000, when the gas company issued certificates of indebtedness to its own stockholders for $2,600,000, the exact amount of the capital stock outstanding. Every stockholder got a certificate of indebtedness, drawing 6 per cent interest, for an amount equal to the stock he held. He continued to draw dividends on his stock; he continued to draw 6 per cent on his certificate of indebtedness; and not one penny was ever paid for any of these certificates of indebtedness. In other words, they issued notes amounting to $2,600,000 to their own stockholders without getting a cent for them. Then, after several years, the board of directors took up these certificates of indebtedness and issued to the people who held them stock in the corporation equal to the face value of the certificates which the holder owned; thus, by that operation doubling the stock of the corporation without anybody's investing a single penny. Now, it has grown to such dimensions as I have shown by these various holding companies, covering and including a great many corporations outside of the District, headed by the Chase National Bank in the city of New York.

As I said, this has attracted some attention; and I have in my hand now a very able editorial printed in West Virginia, in the Wheeling Intelligencer, on May 17, 1932, in which, away out in West Virginia, the editorial writer very ably shows what a disgrace it is that in the Capital of the United States such things can go on unmolested and uninterfered with. They pay but little attention to the action of the Public Service Commission. They ignore the law which provides that the ownership of this corporation must always remain in the District of Columbia. They avoid it in one way and another. They defy the acts of Congress in carrying out the various schemes to rob the consumers of this necessary of life by charging them an exorbitant price, because they have no other income. That is the source of all their income.

I ask unanimous consent at this point to insert as a part of my remarks, without reading, the editorial to which I have referred.

The VICE PRESIDENT. Without objection, it is so ordered.

The editorial is as follows:

[From the Wheeling (W. Va.) Intelligencer of May 17, 1932]

THE HOLDING COMPANY OUTRAGE

Elsewhere in this issue the Intelligencer presents a chart which tells graphically the story of the holding company outrage in the United States.

Starting with a few small gas and light concerns, we see this pyramid rise tier upon tier, each step representing new financing, new stock issues, new injections of water, new profits for the organizer, new millions of rate base for the consuming public to pay returns upon.

In this particular case the manipulators started out with three modest utilities—the Rosslyn Gas Light Co., the Georgetown Gas Light Co., of Montgomery County, and the Washington Gas Light Co., of Montgomery County. The first two were merged into the Georgetown Gas Light Co., and subsequently with the third formed the Washington Gas Light Co.

There the uninitiated might expect the process to stop. A compact holding company, controlling much of the gas and light business in the Washington area, had been established and was functioning. But the promoters were only starting. They had pocketed a fat profit from each consolidation, had arranged attractive service contracts, had puffed up the rate base in each instance, and were enjoying their experience immensely. Accordingly, they lumped the Alexandria Gas Co., the Washington Suburban Gas Co., the New York & Richmond Gas Co., put them together with the Washington Gas Light Co. and created the Washington and Suburban Companies. These, together with some six millions of collateral trust notes and other investments, found their way into ownership of the Westfield Trust Co.

Surely the time had come to call a halt. Westfield control had been established; the holding company idea had been developed to an extreme degree. But the financial manipulators were just getting warmed up. In rapid and bewildering succession we find control moving to Federal Utilities (Inc.), the Patuxent Gas Co., and the Central Gas & Electric Co. Then the whole, tossed in with the Utility Engineering Corporation, Safety Engineering & Management Co., Public Service Engineering Co., and Southern Cities Public Service Co., moving into the Central Public Service Corporation.

Even here the merging process was in but its early stages. Fifteen or twenty transactions had been completed. Unearned profits had been extracted from each. The investing public was being taken for a financial ride and the consuming public robbed systematically through artificially enlarged rate bases. But there still was big business ahead.

Further negotiations brought control into the Central Public Service Co., from where new expansions were undertaken, involving the United States & Overseas Corporation, and the Public Utilities Holding Corporation of America, which branched into the American Founders' Corporation, Chase-Harris-Forbes Corporation, the Harris-Forbes Trust Co., and the Harris Trust & Savings Bank. These led, in the final step, to the great Chase National Bank.

Of all the organizations represented in this financial maze, only eight at the bottom are operating companies, hence revenue producers. All of the others are holding companies of one type or another, except the three engineering companies, through which exorbitant and unnecessary charges were originally imposed for services.

How many millions in unearned profits were taken in the course of these various organizing steps, how much has been added to the gas and light bills of the people of Washington and vicinity because of fictitious values, how much has been lost by the purchasers of watered stock still are matters of speculation. That the public looting has reached tremendous proportions, however, is not to be doubted.

What is true of Washington Gas & Light control is true of almost every operating utility in the United States. The piling of holding company upon holding company, the imposition of ruinous charges for management, for financing, etc., the constant taking of unearned organizing profits, the imposition of higher and higher rates through the creation of fictitious "valuations" have reduced the utility situation to the point where one of but two solutions is possible:

Either this entire holding-company structure must be torn down and the financing profiteers driven out, or

The people of the United States must take over the utilities and operate them themselves.

MIDWEST UTILITIES CO.

Mr. NORRIS. Mr. President, a little further on holding companies. I want to take up now the Midwest Utilities Co., one that has recently failed, the Insull company. I had the data in my possession yesterday, but I could not get them when I was talking about Mr. Insull. I want to give you an idea of something of his companies.

When Mr. Insull sat at the top of the world, on the pyramid, and controlled States and attempted to control even the Senate of the United States by buying a seat here for one of his favorites, as I remember—and I am speaking from memory; I may be wrong—he was a member of the board of directors of 85 utility corporations. He was chairman of the board of directors, I think, of 50 or 60, probably more than that, and he was the president of the corporation itself in 11 of these instances.

The Midwest Utilities Co. had 12 principal subsidiary companies, and many of these subsidiary companies had other subsidiary companies, and those subsidiary companies had still other subsidiary companies. The Midwest Utilities Co. was the father, and from its various offspring from time to time there were born children, and they grew up, became big and monstrous, and had children of their own, until the Midwest Utilities Co. was a great-great-great-great-grandfather.

The principal 12 were the following:

The Central & Southwest Utilities Co. Now, let us stop right there. That is the first one. The Central & Southwest Utilities Co. had the following children: The American Public Service Co., the Central Power & Light Co., the Public Service Co. of Oklahoma, the Southwestern Gas & Electric Co., the Southwestern Securities Co., whose subsidiary is the Southwestern Light & Power Co.; so that the first subsidiary had five children of its own.

Let us keep right on there. The American Public Service Co., one of these grandchildren of the Midwest Utilities Co., had another subsidiary, the West Texas Utilities Co. That gets through with one of the subsidiaries.

The next one is the Central Illinois Public Service Co.

The third is the Central Power Co.

The fourth is the Commonwealth Light & Power Co., and the Commonwealth Light & Power Co. had one child of its own. The Commonwealth Light & Power Co. had one immediate subsidiary company, the Inland Power & Light Co.; but the Inland Power & Light Co. was not childless itself. It was a married man, and it had some children of its own. The Inland Power & Light Co. had six children. One was the Arkansas-Missouri Power Co. Another child was the Kansas Power Co. Another child was the Michigan Public Service Co. Another child was the Missouri Edison Co. Another child was the Missouri Public Service Co., and still another was the Dalhart Public Service Co. Of these great-great-grandchildren, one of them, the Arkansas-Missouri Power Co., owned the East Missouri Power Co.

We have hardly started in this enumeration of the children and the grandchildren. We have gotten down now to the fifth generation, and they are still having children.

Mr. LEWIS. Legitimate issue?

Mr. NORRIS. The Senator asks if they were legitimate. I do not think the father to begin with was legitimate. They started with an illegitimate parentage.

There is no excuse whatever for these corporations owned and owned and owned down the line. What would some one getting electricity, let us say, from the East Missouri Power Co. do if he wanted to find out who really owned the company? He would go, first, to the Arkansas & Missouri Power Co., and from the Arkansas & Missouri Power Co. to another corporation, and then go on to another one, and then he would have reached the Commonwealth Light & Power Co., and that is the child of the Midwest Utilities Co.; so you are back to the beginning.

Let us read some more of these. These are the direct subsidiaries, the children of the first generation, of the Midwest Utilities Co.; the Illinois Northern Utilities Co. It is important to remember the names, because one word may make all the difference in the world in the corporation. Another one is the Kansas Electric Power Co. Another one is the Kentucky Utilities Co.

Let us see about the Kentucky Utilities Co. The Kentucky Utilities Co. on December 31, 1930, had four children. I do not know whether there have been any born since or not.

Eighth comes the Michigan Gas & Electric Co., ninth the Missouri Gas & Electric Service Co., tenth the National Electric Power Co.; and the National Electric Power Co. has five children, first, the Michigan Electric Power Co., the National Public Service Corporation, the New England Public Service Co., the Ohio Electric Power Co., and the Penn Central Light & Power Co.

Some of these have children of their own. Of the subsidiaries, the National Public Service Corporation has three children. They are the Jersey Central Power & Light Co., the Municipal Service Co., and Seaboard Public Service Co.

That is not all. The Seaboard Public Service Co. is a full-grown institution and has children of its own. The Seaboard Public Service Co. has five children. They are as follows: The Eastern Shore Public Service Co., the Florida Power Corporation, the Georgia Power & Light Co., the Tidewater Power Co., and the Virginia Public Service Co.

I will go back again to the children of the first generation of the Midwest Utilities Co. I have called attention to 10 of them. The eleventh is the Northwest Utilities Co., and the twelfth is the United Public Service Co.

The New England Public Service Co., which is a child of the third or fourth generation, being a subsidiary of the National Electric Power Co., has some children of its own also. The subsidiary—the New England Public Service Co.—has five children, one of which is the National Light, Heat, & Power Co. We are a good ways from the parent now, but we are not as far as we will have to get if we trace it through. This New England Co., in the fifth generation, has five children, one of which is the National Light, Heat & Power Co., and it has one child, The Twin State Gas & Electric Co.

UNITED PUBLIC SERVICE CO.

The principal subsidiary, the United Public Service Co., has two children, and each of its children has, in turn, other children, the sub-sub-subsidiaries, the Kentucky Power Co. (Inc.), controlling the Kentucky Power & Light Co., and the United Public Utilities controlling 21 sub-sub-subsidiaries, as follows. Here we are away down in the fourth or fifth generation.

We find one of these corporations with 21 children—9 electric, 6 gas, and 6 ice and coal. They are as follows:

Alabama United Ice Co., Bradford & Gettysburg Electric Light & Power Co., Brookville & Lewisburg Lighting Co., The Buckeye Light & Power Co., Cap. F. Bourland Ice Co., Citizens Heat, Light & Power Co., The Eaton Lighting Co., Fort Smith Gas Co., Georgia United Ice Co., Greenville Electric Light & Power Co., Indiana Ohio Public Service Co., Knife River Coal Mining Co., Louisiana Ice & Coal Co., The Lynn Natural Gas Co., New Madison Lighting Co., North Dakota Power & Light Co., Northern Power & Light Co., The Peoples Service Co., Southern Gas Producing Co., Texas Ice & Refrigerating Co., and the Western Ohio Public Service Co.

Mr. LONG. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. LONG. As I understand it, after they get down to about the fifth generation, we find a litter.

Mr. NORRIS. With some of them.

Mr. LONG. Is the Senator familiar with the saying we get from the late Victor Hugo, that in a litter of wolves there is occasionally one dog born which is immediately devoured by the mother of the litter for fear the dog might eat up its brothers and sisters?

ACTIVITIES OF THE POWER TRUST

Mr. NORRIS. That reference makes me think of what the investigation of the Federal Trade Commission showed a year or two ago, on a subject which I was not discussing, but which is fresh in my mind. I discussed it at length a year or two ago in the Senate.

It was disclosed that in their desire to control the sentiment of the United States, and control everything from school district to White House, they undertook to buy a lot of newspapers, and did buy a lot of newspapers. They had traveling men on the road, buying newspapers, and by reason of these subsidiaries and these sub-subsidiaries, these traveling men going from different companies got mixed up, and in one case down in South Carolina, or in North Carolina, the traveling man representing one corporation, trying to buy a newspaper, came in competition with the children of his father. There were so many of them scattered around over the country that they did not have any more worlds to conquer, and they commenced to conquer themselves, they commenced to eat themselves up. They got into competition, these two men to whom I have referred, representing in reality the same outfit, bidding against each other to buy a newspaper. They always paid a great deal more than the newspapers were worth. Money was not an object, because it was not their money; it was the money of the little fellow who has an electric light; it was the money of the washerwoman; it was the money of the taxpayer who has an electric light on the street corner. It was their money. So it was a very easy matter to spend money. It was unlimited. It is like one corporation commencing to eat another, and starting at the tail, while the corporation it was eating would commence to eat the tail of the corporation that was eating it. There was no limit to it. I am wondering, Mr. President, how long the American people are going to stand for that kind of business.

TAX UPON USERS OF ELECTRICITY

The Senate passed a tax bill some time ago, and as that bill passed the Senate we put in an amendment, introduced by my colleague [Mr. HOWELL], levying a very light tax upon these big corporations which are generating electricity. It was the belief of the introducer, it was the theory of the Senate when it adopted the amendment, that the amount was so small that as a practical proposition it would be impossible for the power company to pass on the cost to the consumer, because in every case, among other things, they would have to get the consent of the commission in the State where they were located before they would be allowed to increase their rates.

It will be remembered that in that condition the bill went to conference, and when it came back from the conference committee that provision was stricken out, and in lieu of it was language providing for a direct tax upon the consumer of electricity. One of the things creditable about it was that there was no deception in it. On its face it was a tax upon every home in the United States which uses electricity; it was a tax upon the owner of every country store which uses electricity, a direct tax.

There was quite a contest over it. It never yet has been defended anywhere. Although it was viciously assailed on the floor of the Senate, it never was defended by the conferees.

In the course of the debate, when I had the floor, I was interrupted by the junior Senator from Indiana [Mr. ROBINSON], who said:

> I want to observe, if the Senator from Nebraska will permit me, in connection with his suggestion as to the efficiency of the conferees on the part of the Senate, that I noted this morning in the press a statement from Congressman CRISP, to whom was attributed the responsibility for placing the burden of the power tax on the consumers. I would like to read it for the benefit of the Senate, assuming, of course, that he is correctly reported.

Then he read:

> "When the conferees reached the tax on the electricity item Senator SMOOT stated that it was confiscatory and that it would bankrupt certain public-utility companies in Utah. A majority of the Senate conferees said the item was impossible. After discussion and in the nature of a compromise, I suggested a retail tax on electric energy."

That is the end of the newspaper quotation which the Senator from Indiana read. Then he said:

> The interesting part of that statement, if the Senator from Nebraska will permit the further observation, is this line, and it comes from Mr. CRISP, according to the paper:
> "A majority of the Senate conferees"—
> That would be three—
> "A majority of the Senate conferees said the item was impossible."
> That was after a majority in this body had said that it was not only not impossible but that it was correctly and properly to be levied against the vendor. But a majority of the Senate conferees, three out of five, decided that a majority of the Senate was all wrong in the matter, and therefore they would just switch it around completely and add the burden of this tax to the already overburdened back of the taxpaying consumers of the country.

Those are the remarks of the Senator from Indiana [Mr. ROBINSON]. It will be noted that in the newspaper article from which he quoted, it was stated that it was said by the Senator from Utah [Mr. SMOOT] that this tax as the Senate had it would bankrupt certain public-utility companies in Utah.

Mr. President, it will be interesting to take up some of the public utilities in Utah and see just how they are built up in their superstructure. It is interesting not only because it shows that the method which I have outlined as being followed in other localities in the United States is being practiced in Utah just the same but it is likewise interesting to show that those public-utility corporations in Utah were making more money than they ought to have been allowed to make, or to keep.

UTAH LIGHT & POWER CO.

Let us see something about the public-utility corporations in Utah. The Utah Light & Power Co. is one of them. Let us trace it just a little. It is the Power Trust representative in the State of Utah, or one of them.

The properties, or securities representing their control, that were eventually consolidated for operation as the Utah Power & Light Co. came into control of the Electric Bond & Share Co. about June or July, 1912, as the managing director of a syndicate consisting of Electric Bond & Share Co.; Charles Hayden, of Hayden, Stone & Co.; James Campbell, of St. Louis, Mo.; and Joseph R. Nutt, of Cleveland, Ohio. Let me see! That name sounds familiar. Who is Joseph R. Nutt? Why, Mr. President, he is the treasurer of the Republican National Committee, having for his principal job the reelection of Herbert Hoover as President of the United States. He was one of the syndicate, so the investigation before the Federal Trade Commission discloses.

The properties involved are in the States of Utah, Idaho, Colorado, and Wyoming. Electric Bond & Share Co., as the managing director of the syndicate, caused three new companies to be organized in 1912 and one in 1913. The companies were as follows:

POWER COMPANY ACTIVITIES IN UTAH

Utah Power & Light Co., organized to become an operating and subholding company, owning and operating, either directly or through its subsidiary, the Western Colorado Power Co., the properties controlled by the syndicate. The Utah Power & Light Co. was incorporated under the laws of the State of Maine. That is interesting—doing business in Utah and incorporated in Maine. It was incorporated on the 6th day of September, 1912, but did not begin to function as a going concern until December 6, 1912, on which date the first actual transfer of properties to it was completed. Between September 6 and December 6, 1912, the properties controlled by the syndicate were being used as the basis for financing two other companies, namely, Utah Power Co. and

Utah Securities Corporation. Notice the similarity in names, but not referring to the same corporation. Here is the Utah Power & Light Co. The one I am speaking of now, the Utah Power Co., is a different corporation, and the Utah Securities Corporation is still a different one.

Utah Power Co. was incorporated under the laws of the State of Maine on September 6, 1912, the same day on which the Utah Power & Light Co. was incorporated. The principal function performed by the Utah Power Co. was to serve as an intermediary through which properties and securities were transferred from the syndicate to the Utah Power & Light Co. and at prices in face values of securities far in excess of their cost to the Electric Bond & Share Co. as managing director of the syndicate.

Utah Power Co. was made a subsidiary of Utah Power & Light Co. Since the completion of the consolidation in 1912 the principal function of the Utah Power Co. has been to hold the contract under which Phoenix Utility Co.—there is another corporation coming in now—formerly the Phoenix Construction Co., an incorporated construction department of the Electric Bond & Share Co., another subsidiary from the same parentage exactly, has built and reconstructed properties of the Utah Power & Light Co. The Utah Power Co. has been relatively inactive since 1922.

Following the consolidation the Western Colorado Power Co. was organized as an operating company subsidiary to the Utah Power & Light Co. All properties in Colorado that were owned or controlled by Utah Power & Light Co. were transferred to the Western Colorado Power Co. for operation in 1913.

The Utah Securities Corporation was organized to act as a holding company controlling the Utah Power & Light Co. and its subsidiaries, the Utah Power Co. and the Western Colorado Power Co.

Utah Securities Corporation was incorporated under the laws of Virginia on September 10, 1912. It acquired control of Utah Power & Light Co. by 100 per cent common-stock ownership, except directors' qualifying shares, in 1912, and continued to control it by 100 per cent ownership until 1925, when the control was passed on intact to the Electric Power & Light Corporation, successor by reorganization to Utah Securities Corporation. Electric Power & Light Corporation still continues to control the Utah Power & Light Co. by 100 per cent ownership of the latter's common stock.

I now come to an outline of the steps in the consolidation. By the first step part of the properties and securities controlled by the syndicate were transferred to the Utah Power Co. These properties cost Electric Bond & Share Co. or the syndicate $2,975,091.35. For them the Utah Power Co. issued to the Electric Bond & Share Co. securities to the amount of $8,498,200, representing a pumping into the stock of water, pure water, to the extent of $5,523,108.35 over their cash cost. That is one of the great power companies which it was said is going to be injured and killed unless this tax, the light tax the Senate put on, was taken off and put upon the already overburdened shoulders of the consumer.

The securities given by the Utah Power & Light Co. represented all the securities it had outstanding except 18 directors' qualifying shares, and consisted of 1-year 6 per cent gold notes, $2,500,000; 10,000 shares of 7 per cent preferred stock, $1,000,000; and 49,982 shares of $100 par value common stock, $4,998,200.

By the second step $8,498,200 of securities issued by the Utah Power Co. to the Electric Bond & Share Co. were combined with other securities controlled by the syndicate to form a basket that was transferred on the next day, September 26, 1912, to Utah Securities Corporation. The total cash cost of the basket to the Electric Bond & Share Co. was $4,950,000. In the transfer the basket was divided into two parts, the first part consisting of all securities in the basket except $4,498,200 aggregate par value of Utah Power Co. common stock, and the second part consisting of $4,498,200 par value of Utah Power common stock. For the first part of the basket Utah Securities Corporation paid $4,950,000 in cash, representing the total cash cost of the basket, and for the second part Utah Securities Corporation issued $27,499,000 aggregate par value of its common stock. Since the $4,950,000 paid in cash represented the total cash cost of the basket, the $27,499,000 par value of common stock of Utah Securities Corporation was acquired by the Electric Bond & Share Co. (or the syndicate) without the expenditure of one cent. In other words, it was all water, $27,499,000, and yet we are told on the floor of the Senate that the conferees met the Senator from Utah [Mr. SMOOT], who said, "If you put a tax upon these corporations, it will ruin this great company in Utah."

To obtain the cash with which to pay $4,950,000 for the basket and for further acquisitions, Utah Securities Co. pledged the securities included in the basket and pledged the securities to be obtained in the future under a collateral trust agreement as security for the issuance of $25,000,000 of 6 per cent gold notes. Thus the cash with which to pay for the basket and for other purposes was obtained by the sale of bonds secured by the properties and securities contained in the basket and the pledge to add other securities to the collateral pledged as they were acquired.

Later, on October 31, 1912, an additional $2,500,000 of 6 per cent notes and $2,500,000 par value of common stock were issued by Utah Securities Corporation to the Electric Bond & Share Co. to be sold to obtain cash with which to pay for another basket of securities, making the total face value of 6 per cent notes outstanding $27,500,000 and of common stock $30,000,000, all issued to Electric Bond & Share Co. The cash price paid for this basket was its cost price to the Electric Bond & Share Co. Electric Bond & Share Co. found purchasers for the total of $27,500,000 in notes and gave a like amount, $27,500,000, par value of Utah Securities Corporation common stock to their purchasers.

This distribution of the common stock as a bonus left in the hands of the Electric Bond & Share Co. $2,500,000 par value of common stock of Utah Securities Corporation, which was shared with other members of the syndicate as part payment for their risk and services as promoters of reorganization. Do not forget the syndicate. Do not forget that at the beginning of this explanation of what happened in Utah I named the syndicate.

The Electric Bond & Share Co. itself purchased $3,220,000 face value of the notes. With them was received as a bonus $3,220,000 par value of Utah Securities Corporation common stock. They also retained $987,500 par value of the $2,500,000, which was divided with other members of the syndicate. They also received $201,900 in cash commissions for the sale of the 6 per cent notes, making their total promoters' profit in cash on the par value of the common stock $4,409,400.

That illustrates, Mr. President, how these holding companies bleed the subordinate subsidiary companies. It shows they are charging a commission and they are getting cash for doing something for themselves in reality. They do something for themselves, charge a commission for it, and the poor consumer of electricity has to pay. But when we come with a proposition to tax these great corporations that are indulging in this kind of financial murder we are told that it can not be done without ruining some of these great corporations in Utah.

Now let us get a general survey of what happened in Utah. Let us see just how much water was put into this business; let us review it.

Mr. FLETCHER. Mr. President, will the Senator from Nebraska yield to me?

The PRESIDENT pro tempore. Does the Senator from Nebraska yield to the Senator from Florida?

Mr. NORRIS. I yield to the Senator on condition that it be understood that I do not lose the floor and that the conference report which I understand the Senator desires now to have considered will not take up any material amount of time.

Mr. FLETCHER. I am authorized to submit a conference report, representing a unanimous agreement, signed by both the House and the Senate conferees on a very short bill having reference to loans for farmers in cultivating as well as producing crops.

Mr. KING. Mr. President, I think we had better defer the report.

The PRESIDENT pro tempore. Objection is made.

Mr. KING. We have a street railway merger bill pending, and I do not want that to be superseded.

Mr. FLETCHER. The report will occupy but a minute.

Mr. KING. It might consume more time. I think it will require some debate, and therefore I object.

Mr. NORRIS. Now let us review what happened with these companies which can not afford to pay a tax to the Federal Government.

At the end of the financing of the Utah Securities Corporation control of the properties and securities originally controlled by the syndicate had been transferred to Utah Securities Corporation. On December 6 the first transfer of these properties and securities to Utah Power & Light Co. occurred. On that date the physical properties of the Telluride Power Co., acquired by Utah Securities Corporation at receivership sale at a cost of $6,480,708.32, were transferred to the Utah Power & Light Co. which wrote them on its fixed property account at $22,100,000.

That is a nice bit of water pumped into this concern overnight. They bought the property for $6,480,708.32, and the next day it was worth $22,100,000; and that is one of the power corporations that can not afford to pay the tax the Senate proposed to levy upon it. This represented a write-up which means water of $15,619,291.68. More than fifteen and one-half million dollars of water pumped into that capitalization overnight; and the poor people of Utah, Colorado, and the other States that are paying the bill have to stand it all. The corporations are converting water into gold by this process; and yet we are told that we must not tax them, because they can not stand it; and therefore we must levy the tax upon the poor consumer who is now paying the revenue on all of this water.

In the other case that I mentioned a while ago there was $27,000,000 of water, now nearly $16,000,000 is added to it out in Utah. I do not know whether in Utah, as I said a while ago, it is pure water; perhaps it is salt water; perhaps it is taken out of the Great Salt Lake, and that may be one of the reasons why the Great Salt Lake has been receding for the last several years and getting smaller and smaller all the time.

Subsequent acquisitions, including both properties acquired by purchase and properties constructed by Phoenix Utility Co., or its predecessor, the Phoenix Construction Co., which was the incorporated construction department of Electric Bond & Share Co., were similarly written up on the fixed capital account of the Utah Power & Light Co. at prices $9,610,828.49 in excess of their cash cost to Utah Securities Corporation, making the total write up in fixed capital $25,230,120.17.

That ought to buy a whole lot of water which the consumers have converted into gold and are now paying returns on; and yet we dare not tax these great concerns.

Not all assets acquired by the Utah Power & Light Co. at prices in excess of their cash cost to affiliated interests were of such a nature as to be chargeable to fixed capital account. Consequently not all of the inflation in its accounts was included in the $25,230,120.17 of inflation in fixed capital. The total amount of inflation established was $34,330,246.

Over $34,000,000 of water, over $34,000,000 of air converted into capital stock, converted into assets upon which the consumers of electricity in those Western States must pay a return through all eternity.

As of December 31, 1930, this total inflation of $34,330,246 was equal to all of the book value of the common stock outstanding, amounting to $30,000,000, all of which was owned by Electric Power & Light Corporation, and to $4,330,246, or 16.8 per cent, of the total book value of the preferred stock outstanding. In previous years, when the total of the preferred stock outstanding was less, the percentage thereof represented by inflation was correspondingly greater.

The Electric Power & Light Corporation has no cash investment in the common stock of the Utah Power & Light Co. except accumulated earnings to the amount of $4,979,474, left in the business as a surplus. Yet it received—remember, it has no cash investment in the common stock of the Utah Light & Power Co. except those accumulated earnings of less than $5,000,000—yet it received in cash dividends thereon $6,150,000 from 1925 to 1930, inclusive. In other words, it got over $1,220,000 more in dividends in five years than its entire investment in the property; it received $6,150,000 in cash dividends on the $30,000,000 of common stock, all of which was water when issued.

We must not tax a corporation like that! Oh, we must take the tax off that power concern and put it on the poor fellow in his humble home, upon the laborer, upon the small business man, scatter it over, and make the consumers pay it! They have been paying it for years; they are used to it. Add this additional burden to the one who is already overburdened, but, for God's sake, do not touch the corporation that is getting over $6,000,000 out of an investment of nothing on earth but water!

In addition the Electric Bond & Share Co. received $201,900 in cash commission on the sale of bonds of Utah Securities Corporation and fees in cash paid to Electric Bond & Share Co. and its incorporated construction department, Phoenix Utility Co., to the amount of $2,974,029 from 1912 to 1930, inclusive. They received in dividends in five years $6,150,000 without the investment of a single cent of cash and in addition got nearly $3,000,000 in fees from 1912 to 1930.

These samples of financing are enough to show that if the Utah Co. were threatened with bankruptcy the draining off of money by its controlling interests would be responsible. But it appears that, even with this manipulation of the operating company for all the direct and indirect profits it can be made to produce, the Utah Co. has had big profits left.

In 1930 the power companies generally had a very good year, both their gross earnings and their net earnings increasing. The Utah Co. had a rate of return on its fixed capital which was something over 10 per cent. This comes from the report of the Federal Trade Commission. Its earnings for the last 11 months of 1931 and the first month of 1932 I find set forth in the Electrical World of May 28, 1932, on page 931. They appear under the heading: "Earnings of operating companies dropped but little in 1931–32." The Utah Co.'s gross earnings for this 12-month period ending January 31, 1932, are shown to have dropped only 5 per cent from the previous 12-month period, which covered nearly all of 1930 and the month of January, 1931. The net earnings show a decline of 9 per cent, from $6,117,744 to $5,555,986.

A footnote to the table in which these figures are given points out that "net earnings are gross earnings, less taxes, operating and maintenance expenses."

I wonder if the Senator from Utah will tell us where he finds in this any evidence of impending bankruptcy. Does this evidence tend to show that the great Utah Co. is so poor that it can not and could not have paid the light tax that was levied on it by the United States Senate? It looks as though the only real fear of the power barons controlling these Utah properties was that their own profit might be reduced. In other words, what they were struggling against was further curtailment of the million dollars a year or more they have been taking out of the Utah Co. in dividends on common stock, which is all water, and which never cost them a single cent.

Mr. LONG. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Nebraska yield to the Senator from Louisiana?

Mr. NORRIS. I yield to the Senator.

Mr. LONG. I was unavoidably called from the Chamber, but I am very anxious to get the statistics. How much was the common stock that they watered up? Did the Senator give the figures on that?

Mr. NORRIS. I did; yes. I can not point it out, but I think it was $30,000,000, all water.

Mr. LONG. How much have they paid in dividends on that watered stock?

Mr. NORRIS. I gave that, Mr. President, but I should have to look back to get the figures.

Mr. LONG. Several millions of dollars?

Mr. NORRIS. Oh, yes; a great many millions of dollars.

Now, Mr. President, I want to give the Senate some evidence taken from official sources. I am going to read and comment on an extract from Exhibit 5164 of the power and gas utilities investigation before the Federal Trade Commission (Seventieth Congress, first session) as of June 15, 1932. This refers to the Utah Power & Light Co.—the same company that can not be taxed for fear of being driven into bankruptcy.

I have already given, from other sources, a history of this company, some of which is repeated here in this official report; so, since there is some repetition in it, probably I had better ask permission to insert in the RECORD this extract from the report. It bears out all of the facts that I have narrated to the Senate. It is an official document from the Federal Trade Commission, and it is from the evidence adduced there that I have already outlined to the Senate what actually happened.

I now ask unanimous consent to insert in the RECORD at this point the extract from the exhibit that I have indicated.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The matter referred to is as follows:

[Extract from Exhibit 5164, power and gas utilities investigation, S. Res. 83, 70th Cong., 1st sess., June 15, 1932]

SUMMARY OF REPORT ON UTAH POWER & LIGHT CO.

COMPANIES DIRECTLY INVOLVED

Utah Power & Light Co. was organized and incorporated by Electric Bond & Share Co. as managing member of a syndicate under the laws of the State of Maine on September 6, 1912. It began to function as a going concern on December 6, 1912. During the latter part of 1912 and early in 1913 Electric Bond & Share Co. in the same capacity organized three other companies, namely: Utah Power Co., on September 6, 1912, in the State of Maine; Utah Securities Corporation, on September 10, 1912, in the State of Virginia; and the Western Colorado Power Co., on March 12, 1913, in the State of Colorado.

These companies were organized by Electric Bond & Share Co. for the purpose of consolidating various electric utilities in Utah, Idaho, Wyoming, and Colorado. Utah Securities Corporation was organized as a holding company to control Utah Power & Light Co., which in the final set-up at the end of the consolidation in turn controlled Utah Power Co. and the Western Colorado Power Co.

FINANCING UTAH SECURITIES CORPORATION AND UTAH POWER CO.

On September 25, 1912, Electric Bond & Share Co. received for the account of the above-mentioned syndicate $8,498,200 in aggregate par value of the securities of Utah Power Co. in consideration for properties costing it $2,975,091.35, or an excess of $5,523,108.35. The $8,498,200 in securities of Utah Power Co. consisted of $2,500,000 in 1-year, 6 per cent notes, $1,000,000 par value of 7 per cent preferred stock, and $4,998,200 par value of common stock. The excess paid was equal to all of the common stock and more than half of the preferred stock issued.

On September 25, 1912, Electric Bond & Share Co., as managing member of this syndicate, through Harry M. Durning, intermediary, received for account of the syndicate $27,499,000 aggregate par value of the common stock of the Utah Securities Corporation, the total consideration given being the aforesaid $4,998,200 aggregate par value of the common stock of Utah Power Co. which Electric Bond & Share Co. had received as syndicate manager without cash cost. On September 25, 1912, the board of directors of Utah Securities Corporation authorized the placing of an arbitrary ledger value of $1,000,000 on the $4,998,200 par value of Utah Power Co.

On September 14, 1912, Utah Securities Corporation issued $25,000,000 principal amount of its 10-year, 6 per cent notes to a syndicate headed by Electric Bond & Share Co., and on October 31, 1912, it issued to Electric Bond & Share Co., as managing member of a syndicate, an additional $2,500,000 principal amount of its 10-year, 6 per cent notes and an additional $2,500,000 par value of its common stock, making the total of notes issued to October 31, 1912, $27,500,000, and of its common stock issued to that date, $30,000,000. In the sale of the $27,500,000 principal amount of notes, Electric Bond & Share Co. delivered to the purchasers as bonus a like amount ($27,500,000) in par value of Utah Securities Corporation common stock. The remaining $2,500,000 par value of Utah Securities Corporation common stock was "retained by Electric Bond & Share Co. in part payment for its risks and services." Electric Bond & Share Co. shared this $2,500,000 of common stock with other members of the syndicate which handled the original issue of $25,000,000 of notes on September 14, 1912. Electric Bond & Share Co. retained $987,500 of this common stock as its share of the portion not distributed as bonus with the notes.

The total financial benefit to Electric Bond & Share Co. from this financing of Utah Securities Corporation was $201,900 in cash commissions and $4,207,500 par value of common stock of Utah Securities Corporation.

On October 31, 1912, Utah Securities Corporation placed a total ledger value of $1,101,000 on the $30,000,000 aggregate par value of its common stock issued as a bonus to subscribers of its notes. In 1914 blocks of this Utah Securities Corporation common stock were sold to Sperling & Co., of London, England, at $25 a share and to Harris, Forbes & Co. at $19.25 per share.

FINANCING UTAH POWER & LIGHT CO.

In December, 1912, properties costing Utah Securities Corporation $6,480,708.32 cash, i. e., $6,460,000 at receivership sale on November 18, 1912, plus subsequent interest adjustments of $20,708.32, were written on the books of Utah Power & Light Co. on December 6, 1912, at $22,100,000, or at an excess amount over cash cost to Utah Securities Corporation of $15,619,291.68.

Subsequent acquisitions of properties from or through Utah Securities Corporation, including both properties acquired by purchase and properties constructed by affiliated interests, were charged to the fixed capital account of Utah Power & Light Co. at amounts totaling $9,610,823.49 more than their cost to Utah Securities Corporation. Thus the total inflation in the fixed capital account of Utah Power & Light Co. over cash cost of the properties to the Securities Corporation was $25,230,120.17.

Not all assets acquired by Utah Power & Light Co. at prices in excess of their cash cost to affiliated interests were of such nature as to be chargeable to fixed capital account. Consequently not all of the inflation in its accounts was included in the $25,230,120.17 of inflation in fixed capital. The total amount of inflation established is $34,330,246.

As of December 31, 1930, this total inflation of $34,330,246 was equal to all of the book value of common stock outstanding amounting to $30,000,000 (all of which was owned by Electric Power & Light Corporation) and to $4,330,246, or 16.8 per cent of the total book value of preferred stock outstanding. In previous years, when the total of preferred stock outstanding was less, the percentage thereof represented by inflation was correspondingly greater.

FEES PAID TO AFFILIATED INTERESTS

During the period of 18 years covered by the examination, namely, from 1913 to 1930, inclusive, Utah Power & Light Co. paid fees, etc., in cash to its affiliated interests as follows:

Construction fees paid to Phoenix Utility Co., 100 per cent Bond & Share, and charged to fixed-capital account of Utah Power & Light Co., amounted to $780,766.16.

Engineering fees paid to Electric Bond & Share Co. and charged to fixed capital account of Utah Power & Light Co., amounted to $316,211.96.

Supervision and service fees paid to Electric Bond & Share Co. and charged to operating expenses by Utah Power & Light Co. amounted to $1,736,913.20.

Fees paid to Electric Bond & Share Co. for issuing obligations, and charged to bond discount and expense, or organization expense accounts, which were closed out to fixed-capital account, amounted to $140,137.68.

The total amount for all fees paid during this 18-year period—1913 to 1930—was $2,974,029.

During the period from January 1, 1920, to December 31, 1922, Utah Securities Corporation paid supervision fees to Electric Bond & Share Co. in behalf of Utah Power & Light Co. and its subsidiary, the Western Colorado Power Co., to the amount of $397,322.85. The last two companies named likewise paid the same amount to Electric Bond & Share Co. for the same period, thus paying twice for the same service. Electric Bond & Share Co. carried this amount of $397,322.85 in its accounts as "suspense accounts payable" and credited interest thereon through 1923 and 1924, until the total of the account on December 31, 1924, was $440,564.81. On March 12, 1925, Electric Bond & Share Co. was finally "released" from its liability to refund this amount at the time Utah Securities Corporation was reorganized into Electric Power & Light Corporation.

DISCOUNTS, COMMISSIONS, AND PROFITS ON SALE OF SECURITIES

During 1914 and 1915 Utah Securities Corporation loaned cash to the amount of $8,155,338.21 to Utah Power Co. with which to pay for construction performed by Phoenix Construction Co. When the completed properties were transferred to Utah Power & Light Co. the latter company took up the loans by issuing $7,976,507.88 principal amount of 4 per cent notes at a price 82½ and $1,660,120, principal amount of 5 per cent notes at 95, both payable on or before August 1, 1922. The total discount amounted to $1,481,289.67. This discount was charged by Utah Power & Light Co. to its fixed capital account.

From 1917 to 1925 Utah Power & Light Co. paid Utah Securities Corporation a total of $831,200 in commissions ranging from $7 to $10 per share for "finding" a purchaser for 89,200 shares of Utah Power & Light Co.'s preferred stock. The purchaser "found" in every case was Electric Bond & Share Co. Access to records, which would show what profit was made on the sale of this preferred stock, was refused by Electric Bond & Share Co., this matter being involved in pending litigation.

By a readjustment in Utah Power & Light Co.'s capitalization made in 1913 at the instance of Utah Securities Corporation, the latter company surrendered $4,500,000 face value of 6 per cent gold notes and $2,837,000 par value of Utah Power & Light Co.'s common stock, and received in lieu thereof $3,000,000 par value of 7 per cent preferred stock and $4,331,000 par value of 6 per cent second preferred stock. The financial benefit to Utah Secu-

rities Corporation from this readjustment for the year 1913 was the difference between the interest on the 6 per cent notes surrendered and the dividends on 6 per cent and 7 per cent preferred stock received. This profit amounted to $200,220 for the year 1913. Beginning with January 1, 1914, the dividend rate on the 6 per cent preferred stock was increased to 7 per cent, making the total profit to Utah Securities Corporation for 1914 and each succeeding year during which it continued to hold the preferred stock $243,590.

In 1927 all common and preferred stock of Utah Power & Light Co. was changed from par to no par stock. When this change was made Electric Power & Light Corporation owned $1,000,000 par value (10,000 shares) of 7 per cent preferred stock of Utah Power & Light Co. This $1,000,000 par value of the old stock was exchanged for 10,000 shares of $6 no par preferred stock of Utah Power & Light Co. and $166,666.66 in cash. Electric Power & Light Corporation then sold these 10,000 shares of no par preferred stock through Electric Bond & Share Co. at prices netting 94½. By this transaction Electric Power & Light Corporation made a cash profit of $111,666.66 and Electric Bond & Share Co. benefited by $20,000, representing its commission of $2 per share on the sale.

Prior to the year 1925 no dividends were paid by Utah Power & Light Co. on its $30,000,000 of common stock outstanding. All of this common stock was held by Utah Securities Corporation or its successor, Electric Power & Light Corporation, at no cash cost. During the years 1925 to 1930, inclusive, Utah Power & Light Co. has paid the Electric Power & Light Corporation $6,150,000 common-stock dividends in cash.

From 1912 to 1930 the total capitalization of Utah Power & Light Co., consisting of stock and bond issues and surplus, increased from $33,296,338 to $103,038,597 in ledger value. Of this amount $3,400,000 plus was water. From 1913, the first full year of operation, to 1930, its annual operating revenue increased from $1,377,078.75 for 1913 to $10,639,302.80 for 1930.

ELECTRIC BOND & SHARE CO.

Mr. NORRIS. The Electric Power & Light Corporation's offices are those of the Electric Bond & Share Co. They are separate corporations, but as a matter of fact I do not know which owns which; but they own each other. There is not any doubt about that. The Electric Power & Light Corporation has no office. It has no personnel of its own. They are all provided by the Electric Bond & Share Co. They all office together. It is the same concern under different names.

I want to give to the Senate an idea of the wonderful scope of the Electric Bond & Share Co., this great parent corporation in Wall Street, New York.

The Electric Bond & Share Co. in one form or another, through its subsidiaries, either controlled 100 per cent or partially controlled, so that it has complete control over all the transactions and operations of these subsidiaries, operates in the following States:

Washington, Oregon, Idaho, Montana, Colorado, Wyoming, Arizona, Nevada, Texas, Kansas, Nebraska, Minnesota, Missouri, Arkansas, Louisiana, Mississippi, Florida, Oklahoma, Tennessee, Pennsylvania, and Alabama.

The American Gas & Electric Co., closely affiliated, operates in Virginia, West Virginia, Ohio, Indiana, Michigan, and Tennessee.

The American Gas & Electric Co., through its various subsidiaries, has a total write-up, a total amount of water in its capitalization, of $85,000,000.

Electric Bond & Share Co. interests drained millions of dollars out of their Utah utility properties in dividends, fees, and other charges, the Federal Trade Commission disclosed yesterday.

This is from the Washington Herald of June 16, 1932. That is what the evidence disclosed on the day before, June 15, 1932, and the evidence brought out that day showed—

Subholding companies collected $6,150,000 in cash dividends in six years on Utah Power & Light Co. common stock that was pure "water" and cost the controlling interests nothing.

They collected a total of $831,200 in commissions for "finding a buyer" for the company's securities, although the buyer in every instance was the parent Electric Bond & Share Co.

In other words, the Electric Bond & Share Co. charged the subsidiary for finding a buyer for its stock which it itself purchased. I hope Senators get that point. The mother company, acting as agent for the subsidiary, charged the subsidiary a commission for buying the securities of the subsidiary itself!

Since management, engineering, and other fees were introduced many years ago they have brought in $2,973,000 more. Commission records show these fees are more than half profit.

Management fees were collected double through three years from the Utah Co. and from the subholding company above it, it was testified. The debt to the Utah Co. resulting from this overcharge was mingled with other transactions in a later reorganization, and Bond & Share counsel contended it was thus paid.

Inflation of capital in the Utah Co. was put at $34,330,000—

As I have already shown.

Mr. President, as showing just what the commission developed on that day, I ask unanimous consent to include in the RECORD at this point an article from the Washington Daily News of June 16, 1932, entitled "Utah Power Firm's Big Profits Bared by United States Commission."

The PRESIDENT pro tempore. Without objection, it is so ordered.

The article is as follows:

[From the Washington Daily News of Thursday, June 16, 1932]

UTAH POWER FIRM'S BIG PROFITS BARED BY UNITED STATES COMMISSION—FIRM FOR WHICH SMOOT SPONSORED ELECTRICITY TAX ON CONSUMERS MAKES HUGE RETURN

Utah Power & Light Co., for whose benefit Senator SMOOT, of Utah, successfully demanded that the electricity tax be carried in the new revenue bill be transferred from corporations to consumers, has been earning lucrative returns even on inflated values, the Federal Trade Commission disclosed to-day.

The commission disclosed that this company, organized by Electric Bond & Share in 1912, bought properties at a total cost of $6,480,708 and immediately entered them on their books as being worth $22,100,000. This was a write-up of about 240 per cent. As new properties were acquired other write-ups were added until they now total $34,330,246, according to Trade Commission records.

WHAT INFLATION MEANT

This inflation, according to the records, was equal to all of the $30,000,000 book value of common stock of the company outstanding in 1930, and to $4,330,246 or 16.8 per cent of the total book value of preferred stock outstanding.

Two weeks ago SMOOT told conferees on the tax bill that a tax on gross earnings of electric power companies "was confiscatory and would bankrupt certain public utility companies in Utah," according to a quotation inserted in the CONGRESSIONAL RECORD.

The Trade Commission reports, concerning Utah Power & Light, the one large company in SMOOT's State, that generous returns on investment were made by the company in 1930, the last year covered by its investigation.

SHOWS BIG RETURN

The rate of return in that year was 6.7 per cent on fixed capital of the company. After deducting excess of ledger values of properties over cash cost, the rate of return was 9.75 per cent in 1930. After the further deduction of ledger value of intangibles, the rate of return was 10.10 per cent.

This generous rate of return was possible despite numerous large fees paid by Utah Power & Light to Electric Bond & Share and other subsidiaries of the main holding company for services, the record shows. For a time, the company was paying Electric Bond & Share twice for the same service—once directly and once through Utilities Securities Corporation.

From 1917 to 1925 Utah Power & Light Co. paid Utah Securities Corporation a total of $831,000 in commissions ranging from $7 to $10 per share for "finding" a purchaser for 89,200 shares of Utah Power & Light preferred stock. The purchaser "found" in every case was Electric Bond & Share.

Mr. NORRIS. From the evidence before the commission, it was shown that stock watering and the like was found up in the subholding company, where it was perhaps of somewhat less concern to consumers, but of much more direct interest to investors. We must bear in mind that it is not only the consumer who is interested in the honest management of these great corporations dealing in a necessity of life, but the investor must be protected. Recent events have disclosed that hundreds and hundreds of millions of dollars have been lost by the honest investor being induced to part with his hard-earned cash for all kinds of securities that were floated upon the market by holding companies and otherwise.

The Electric Bond & Share Co., as managing member of a syndicate, started out on a program of organizing and financing new corporations in 1912 with certain Utah properties that had cost it $2,975,000. These were turned over to a newly formed operating company, which issued against them securities totaling $8,498,000. Of these securities, totaling $8,498,000, approximately $5,000,000 were turned over by the Electric Bond & Share Co. to a newly formed holding company; and against this $5,000,000 of operating company securities the holding company issued $27,499,000

of its own common stock. There was no other consideration involved. The financing thereafter became somewhat complicated, but the upshot of it was that out of the financing of the subholding company the Electric Bond & Share Co. got more than $4,400,000 in cash and stock. This is shown in the summary of the Utah report, which says:

The total financial benefit to Electric Bond & Share Co. from this financing of Utah Securities Corporation (the subholding company) was $201,900 in cash commissions and $4,207,500 par value of common stock of Utah Securities Corporation.

That is just a short review of the evidence I have already put into the RECORD.

I ask permission at this point to insert in the RECORD an article from the Washington Daily News of June 17, 1932, entitled "Huge Profit Made by Utilities Group Is Bared by United States."

There being no objection, the article was ordered to be printed in the RECORD, as follows:

HUGE PROFIT MADE BY UTILITIES GROUP IS BARED BY UNITED STATES—RETURN OF 200 PER CENT ON CONSTRUCTION AND MANAGEMENT EXPENDITURES IS REVEALED

Utility companies in the Associated Gas & Electric group paid $9,970,944 between 1924 and 1929 for construction and management services which cost their holding companies just $3,397,204, the Federal Trade Commission disclosed to-day.

This was a profit of approximately 200 per cent on services rendered.

The Trade Commission has pointed out repeatedly during its utility investigation that utility holding companies have made a practice of transferring large sums of money as fees from the regulated operating companies to unregulated companies. This make possible continuation of high consumer rates.

In the latest group under investigation, seven holding companies were receiving construction and management fees from the network of operating companies in the group.

In 1924 fees collected amounted to $562,191, while the cost of rendering services was $274,378. By 1929 the amount of fees collected had increased to $3,773,563, while the cost of service was $1,294,867.

These disclosures were made in the course of the investigation which the administration has attempted to halt in the name of economy. The Budget Bureau recommended last December that no funds be made available for this work, and President Hoover stressed this in his Budget message. The House refused to let the investigation be stopped and so has the Senate Appropriations Committee. The Senate will pass on the matter next week.

Mr. NORRIS. Mr. President, these investigations from time to time have called forth many protests from all over the country. The evidence disclosed by the Federal Trade Commission in its investigation has shocked the conscience of all honest men and women who are familiar with the disclosures. Nothing like it has ever occurred in the history of the United States.

I have in my hand an editorial from the Mansfield (Ohio) Journal, calling attention to some of the awful disclosures which have been made in this investigation. The title of the editorial is, "Once Again—'The Consumer Pays.'" At this point in my remarks I desire to include that editorial in full.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[The Mansfield (Ohio) Journal, June 7, 1932]

ONCE AGAIN—"THE CONSUMER PAYS"

The spectacle of a government hog-tied by selfish monopolistic interests rather than functioning in behalf of the public was witnessed yesterday afternoon in Washington during the final stages of enactment of the billion-dollar tax bill which it is now necessary to load upon the American ptople as a result of governmental profligacy, past and present.

By shrewd last-minute manipulation an item of 3 per cent tax on the consumption of electricity, originally voted by the Senate against the gross income of power companies, was changed in the Senate and House conference to provide for the tax being collected by power companies from consumers.

Under the routine of parliamentary procedure the protest raised against this action by the conferees was promptly overruled by Vice President Curtis, and in an appeal to the Senate it lost by the narrow margin of 41 to 33.

As handled this shifting of the tax on consumption of electricity from the power companies to the consumer is an example of clever manipulation of legislation in the interests of powerful special interests that it would be difficult to surpass. The intent was to assess the 3 per cent tax against the power companies marketing electricity and agreement on the item was in that form—left so until the last possible minute so that efforts of those looking to the real interests of the public might be construed as an attempt to impede the passage of the bill, for which all machinery had been well greased.

It would have been colossal incompetence, however, on the part of lobbyists for the power interests to have permitted the item to stand in its original form—this added penalty for using electricity must be passed along to the consumers.

The pathetic impotence of the well-intentioned Senators who sponsored this item, intending it as a fair assessment against the income of power companies, is shown by the manner in which it was turned against them and made to increase the heavy toll already being paid to unbridled monopoly's supergovernment.

Sponsors of the item, joined by a number of Democrats and Republicans, assailed the action, denounced shifting the tax from power companies to consumers and contended the conferees had exceeded their authority—but all to no purpose—the power companies know how to do those things, and they do them.

The final vote in the Senate was 46 to 35, and while the individual explanations of its opponents will be awaited with interest it is entirely probable that the vote for its passage would have been considerably higher had it not been for the last-minute atrocity perpetrated upon it by the power interests.

Mr. NORRIS. Mr. President, I have another editorial, from the Galveston Daily News, of Galveston, Tex., entitled "How the Power Companies Were Saved $60,000,000." I ask to have that printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From Galveston Daily News, Galveston, Tex., June 11, 1932]

SHIFTING TAX—HOW THE POWER COMPANIES WERE SAVED $60,000,000

Among the new taxes to be collected after June 21 is a 3 per cent levy on electrical energy for domestic or commercial use. This tax is to be collected by the vendor from the consumer and remitted by the vendor to the collector of internal revenue. It applies to publicly as well as privately owned power plants.

For example, a Galveston householder incurs a bill of $10 for electric service. To that amount the local electric company adds a tax of 30 cents, payable with the bill itself. It is a sales tax which falls directly on the consumer. Companies selling electric energy merely function as tax collectors for the Government.

How this electric energy tax was switched from the producer to the consumer forms one of the most interesting and singular episodes in the checkered career of the tax bill. From the CONGRESSIONAL RECORD these facts are gleaned:

When the tax bill was being debated in the Senate a few days before its final passage, Senator HOWELL, of Nebraska, offered an amendment to levy upon energy sold by privately owned and operated electrical power companies "a tax equivalent to 3 per cent of the price for which so sold, payable from net income but not otherwise." In other words, he proposed to collect the tax from the producers. Senator HOWELL had offered the same amendment to the Finance Committee, but it had been rejected.

The usual lengthy debate ensued, in the course of which Senator SMOOT offered an amendment to impose a 5 per cent tax, collected by the vendor, upon electrical energy sold for domestic purposes. It was rejected, 45 to 40. Senator REED, of Pennsylvania, then offered an amendment identical with SMOOT's except that it proposed to tax energy sold for commercial as well as domestic purposes. It was rejected, 47 to 35. Both amendments sought to relieve the producer from taxation. After further debate the Howell amendment was put to a vote and carried, 61 to 19. Thus it was clearly indicated that the Senate desired the tax to be paid by the producer rather than the consumer.

After the bill emerged from conference committee, however, it was discovered that it provided for a 3 per cent tax on the consumer. When Senator HOWELL challenged the Senate conferees to explain the alteration they declined to do so. But the bill was then up for final passage, and supporters of the Howell amendment had no alternative but to accept the alteration or delay the entire bill. This was after President Hoover had made his personal appeal to balance the Budget. Rather than be put in the attitude of obstructing the Budget balancing process, a majority of the Senators voted for the bill. In other words, high-pressure tactics were used to force through a sales tax to which the Senate previously had registered its overwhelming opposition.

As a result of this secret juggling in conference, the $60,000,000 it is estimated this tax will yield will come from the pockets of the people—3 cents on every dollar's worth of electricity used—instead of from the coffers of the power companies, which have felt the effects of the depression perhaps less than any other major industry. REED and SMOOT fought the power companies' fight in debate. SMOOT asserted that if the tax were collected from the consumers it would bankrupt every power company in Utah, though the Howell amendment plainly provided that the tax should come from net income. If no net income were earned, naturally no tax could be collected. But at no time was any proof produced to show that the power companies were actually unable to pay the tax. Had the power companies themselves pulled the strings the strategy which saved them $60,000,000 a year couldn't have been more effectively handled.

It isn't often the public is victimized to the tune of $60,000,000 by an operation which suggests nothing so much as the shell game formerly used to separate yokels from their money at county fairs.

Mr. NORRIS. Mr. President, there were a series of three articles, all of them short, written by M. L. Ramsay, of the Hearst Service, who has followed, perhaps as fully as anybody in this busy world can, the disclosures made from time to time in this wonderful investigation. These articles appeared in the New York American and other Hearst publications. The titles are, "Water Power Looters Face Crisis in Court Decision," "Inflation by Power Companies Declared Menace to Investors," and "Strict Federal Regulation Needed to Prevent Power Firm Inflation." I ask unanimous consent to have the articles printed at this point in my remarks.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

WATER POWER LOOTERS FACE CRISIS IN COURT DECISION—GOVERNMENT CALLED UPON TO PRESERVE SITES IN PUBLIC CONTROL, AS RIGHT TO INVESTIGATE PLANT'S COST IS UPHELD IN CLARION RIVER CASE

By M. L. Ramsay, Universal Service correspondent

(This is the first of a series of three articles by M. L. Ramsay, a Washington correspondent for Universal Service and specialist on power, regarding the Government's recent court victory in the Clarion River case. The articles will discuss the effect of the victory upon ownership of power sites, consumers' rates, and protection of investors.)

WASHINGTON, June 17.—By a second overwhelming victory in the Clarion River Power Co. case, the Federal Government and the States have been brought face to face with a crisis in the looting of water-power resources, which has gone stealthily forward for 12 years.

Power Trust leases upon public hydroelectric sites are judicially proclaimed "a gratuity, a privilege from the sovereign."

They "can only be justified on the theory of the benefit to inure to the public."

In such forceful and all-inclusive language the District of Columbia Court of Appeals has summoned the Government to make restitution for a dozen years' neglect and inaction; to preserve the Nation's power sites in public ownership and control.

The court's notable opinion, written by Associate Justice Charles H. Robb, backs up another equally sweeping by Associate Justice Jesse C. Adkins, of the District Supreme Court.

Together, and beyond the fundamental question of ownership, they lay a broad and strong foundation for cheaper electricity for consumers; safety for investors.

DUTY IS PLAIN

Strict regulation of Power Trust plant investment is held the plain and inescapable duty of the Federal Power Commission. That duty is not to be delegated to Power Trust financiers. And the duty is pointed out expressly with a view to the preservation of ownership, the control of rates, and the safeguarding of the investor, as well as the consumer, from the menace of heavy losses lurking in inflation and manipulation.

The decisions uphold specifically the Government's right to investigate how much a power company spent to build a hydroelectric plant on the Clarion River in Pennsylvania, and then fix officially the amount of this investment.

The power company wanted to write its own ticket. The Government was merely to file the company's claim. If it doubted any items, it was to wait 50 years until the company's lease upon the waters of the United States and the State of Pennsylvania should have expired.

COURT TO ACT TARDILY

Then, if anyone wanted to be sure how much the company's plant cost, a Federal court was to try to find out.

Rejecting this contention and an alternative the company proposed, the appeals court said:

"In our view, such an interpretation of the statute is unreasonable, for during the 20 or 50 years the regulatory powers of the commission must be constantly exercised."

On this and other points the tribunal saw eye to eye with the lower court.

Although power company lawyers say the case will be carried up to the United States Supreme Court, attorneys generally think the decision will stand.

Hence the critical conflict shifts to the Federal Power Commission. There five commissioners are about to start deciding issues of power-plant investment, like the Clarion case, involving thus far a total of $600,000,000.

AUTHORITY UNLIMITED

Most directly at stake is a difference of scores of millions, between Power Trust claims and proposed Government allowances.

The commission has unlimited authority over the 12-year accumulation of cases. Some are close to decision, which is understood to wait upon:

1. Confirmation or rejection by the Senate of the reappointment of Marcel Garsaud, of New Orleans, whose vote gives the conservative group in the commission a majority.

2. Adjournment of Congress, forestalling for months to come either effective protest or possible remedy, if the commissioners sanction inflation.

The commissioners' decisions will largely govern reasonableness of rates, soundness of securities and the continued public ownership—or the loss for all time—of leased power sites.

The issue of public ownership of the power sites underlies the issue of investment in this way. After fighting against all water-power regulation for 15 years, the power companies spent the decade from 1920 to 1930 in obstructing and evading it.

BLOCKED THE WAY

In this period they blocked completely the establishment of immediate reserves, and of machinery for future reserves, which would reduce the cost to the Government of recapturing plants and recovering sites. That was a long step toward permanent alienation of the resources.

Their alienation will be completed if recapture prices are made prohibitive. The power companies have submitted huge claims of investment which threaten this effect and thus far have thwarted every effort to root out the inflation.

Had the Government lost the Clarion case, the huge alleged investment would have been permitted to stand, making recapture virtually impossible.

The price of the recapture or purchase of the Clarion plant by Chief Accountant William V. King's figures, would be based upon an original cost of less than $6,000,000. By the company's figures the base would be $11,032,000, which, with additions through the years, probably would make the recapture price prohibitive.

WHAT ROOSEVELT SAID

Accordingly the company would keep its plant and with it the public's power site. The result would be the permanent vested rights which Theodore Roosevelt scornfully refused to confer in the James River case 23 years ago. His prophetic veto message said:

"To give this away, one of our greatest resources, without recompense, would be an act of folly.

"If we are guilty of this, our children will be forced to pay an annual return upon capitalization based upon the highest price which the traffic will bear.

"They will find themselves face to face with a powerful interest entrenched behind the doctrine of vested rights and strengthened by every defense which money can buy and the ingenuity of capable corporation lawyers can devise.

"Long before that time they may, and very probably will, become a consolidated interest, controlled from the great financial centers, dictating the terms on which the citizen can conduct his business and earn his livelihood, and not amenable to the wholesome check of public opinion."

(NOTE.—The second article of this series will record the conspicuous result of the court decision, which will enable the Government to work out of hydroelectric companies millions of dollars in inflation.)

INFLATION BY POWER COMPANIES DECLARED MENACE TO INVESTORS—COURT BATTLES BY UTILITIES TO AVOID INVESTIGATION INCREASE NEED FOR FEDERAL FUNDS FOR CARRYING ON PROBE

By M. L. Ramsay, Universal Service correspondent

WASHINGTON, June 18.—A conspicuous result of the Government's victory in the Clarion River case is to focus the whole issue of utility rate profiteering, vastly aggravated by the depression.

The court decision clinches the Federal Power Commission's authority to root out of hydroelectric company capital, scores of millions of dollars of inflation already revealed by Power Commission audits and the Federal Trade Commission investigation.

Upon this "water" consumers are forced to pay a return in rates. Against it securities have been issued and sold to investors.

MENACES INVESTOR

That the inflation of power company capital results directly in excessive rates, and menaces the investor as well, was made clear by the District Supreme Court in its Clarion decision.

This decision, now upheld on appeal, warned of "serious effects" of delay in establishing investment accurately. It continued:

"On the one hand it will have a tendency to cause the items to assume the nature of vested interests; on the other if these items, years hence, are finally eliminated from the capital, the value of plaintiff's securities will be suddenly and greatly lessened. And much more important—if items are erroneously retained in the capital accounts, the rates to be charged by the plaintiff during this long period will be higher than if they should be eliminated from the actual net investment at the present time."

RELATIONSHIP SEEN

The same inescapable relationship between cost or investment on the one hand, and rates and profits on the other, was seen by the appellate court:

"Under section 16 the United States is authorized to take over a project in time of war by paying compensation fixed by the commission 'upon the basis of a reasonable profit in time of peace.' Under the act reasonable profit depends upon original cost.

"Under sections 19 and 20 the commission is authorized to fix rates under the various conditions and circumstances recited in those sections, and the basis of these rates under the provisions of the act is the original cost of the project."

"COSTS" IN AUDIT

In the cost of the Clarion River plant auditors found items like these:

Four dozen neckties bought at a fashionable New York shop—$144. Tips to porters, etc., $95.

Expenses grand opening (of power plant), $4,365.

Fee to controlling interests for persuading their construction company to build a plant for their power company, $200,000.

Fee to same interests for persuading their utility company to buy their power company's output, $300,000.

For persuading this utility company to guarantee the power company's bonds, $200,000.

For interesting investors and expenses in connection with security issues, $294,000.

TAKES SEVEN YEARS

Governmental effort to get the facts in this case has required thus far, seven years. Three audits were thwarted by failure of the company to furnish complete records.

In 1928 the power commission reported the facts to Congress with this comment:

"The book costs of this project are probably inflated by not less than $4,000,000, and possibly by much more. * * * Further action is dependent upon securing means to prosecute such cases of apparently flagrant lack of compliance with the law."

But Congress was not permitted to see this report. The Niagara Falls Power Co., whose finances were similarly dissected, induced the commission to withdraw it and strike out all such disclosures.

Thereupon the House voted down a bill to supply the commission with auditors and lawyers, with one Representative declaring bluntly that two-thirds of the Members knew virtually nothing about what they were voting upon.

REFUGE IN COURTS

When the suppression of the report to Congress, and the Clarion case itself, were brought to light by Senate investigators two years later, prodding the power commission into action, the Clarion Co. took refuge in the courts.

Precisely the same fight is being made by the utilities against disclosures of rate secrets by other regulatory and investigative agencies.

Control of the Clarion plant, although not the responsibility for its original financing, rests with the Associated Gas & Electric Co.

This company has been contesting before the Public Service Commission and the courts of New Hampshire for two years an attempt to disclose and regulate the toll taken by companies higher up from rates paid by the consumers to operating companies.

It has just halted a similar investigation in New York by refusal to produce witnesses.

FUNDS REQUIRED

The associated system is under examination by the Federal Trade Commission in the general investigation of utilities. It will escape much of this inquiry, with the greatest of the Morgan combines and the Cities Service system, unless Congress provides funds.

The Budget estimates of President Hoover, who has vouched for the power companies' "glass pockets," failed to provide for the power investigation.

Meanwhile a rejuvenated utility commission in Wisconsin and a few elsewhere are working to bring rates down in some relation to the fall of other prices and to shrunken incomes.

Although holding companies have been hard hit, operating power companies have maintained their profits at predepression levels.

Power Commission and Trade Commission audits have shown that a large part of these profits is being paid out upon "water," and this "water" remains frozen in the capital of operating companies with which the consumer deals, even while the holding companies are scaling down their capitalization.

STRICT FEDERAL REGULATION NEEDED TO PREVENT POWER FIRM INFLATION—PROPAGANDA DIRECTED AGAINST CITY, STATE, AND FEDERAL DEVELOPMENT PROJECTS FAILS

(By M. L. Ramsay, Universal Service correspondent)

WASHINGTON, June 19.—Preventing a repetition of recent losses of hundreds of millions of dollars to investors in power securities, through strict Federal regulation, is one of the great possibilities held out by the Clarion River decisions.

Such regulation is generally regarded in Washington as inevitable, especially since these losses have occurred in a virtually "depression proof" industry.

Power company profits on the average are about as large as before the depression. "Not one of the major operating companies has omitted dividends so far," according to the Electrical World.

The flood of "water" that has been poured into them has been turned to gold by expanding sales of electricity to household users at top rates. Accordingly the investor who bought operating company securities has suffered only to a limited extent. The consumer has made good for him.

LOSSES LOCALIZED

Greatest losses to investors have been largely localized in the holding companies, supersensitive to small-profit fluctuations, and revealed by the Trade Commission as more flagrantly manipulated and "watered" than the operating companies.

The Clarion decisions would sustain, even with existing but unused legal machinery, regulation of security issues of operating water-power companies. It would thus embrace a substantial part of the financing upon which has been reared the superstructure of holding company financing.

With new legislation the same decisions would help to sustain direct regulation of holding company securities.

Many States have no control over utility security issues, and none regulates holding company securities. The Power Trust's supreme effort in this field has been directed against regulation by the Federal Government, which has an ample authority the States lack.

ORDER POSTPONED

Confronted with this relentless opposition, the Federal Power Commission has regulated securities only once. Then, acting with State authorities in the preliminary steps, it reduced proposed flotations for the Conowingo plant in Maryland by more than $5,000,000.

Even here determination of the amount actually invested in the project remains incomplete after six years.

Just before the Coolidge Power Commission went out of office it adopted an order for a limited regulation of securities. At the first meeting of the Hoover commission, enforcement of this order was "indefinitely postponed."

It has remained postponed right down to date.

Two years later a "joker" which would have wiped out even the authority for securities regulation was found in a power commission reorganization bill. It was detected and removed.

PROPAGANDA FAILS

On all three cardinal issues of ownership of sites, consumers' rates, and securities, the importance of the Clarion decisions is enhanced by a collapse of the Power Trust propaganda to belittle water power's importance.

A thunder of this propaganda has dinned into the ears of the country for several years past the dogma that water power was out of date, "uneconomic." It had been outstripped by cheap production of power from coal and natural gas.

This propaganda was aimed directly at the city, State, and Federal development projects, commonly hydroelectric. By extension it grew into arguments that strict regulation of investment and safeguarding of public rights of recapture where the resources had been leased to the trust were a waste of money.

First the propaganda boomeranged against the industry when investors and bankers became doubtful about hydro plants.

USE REVEALED

Now a report by the industry and the Bureau of Mines discloses that the country's water power, only about 20 per cent developed, has supplied lately as much as 46 per cent of national power requirements, the largest proportion on record.

And the Electrical World, telling how power companies are weathering the depression, reveals that—

"Various economies of labor and operation have been introduced, notably the extensive use of hydro capacity on many properties * * *."

The Power Trust's "privilege from the sovereign," as the governmental grants to it were styled by the District Court of Appeals, is being exploited to the limit.

Mr. NORRIS. Mr. President, I now want to pass to another branch of the subject, to show the influence and the strength of the Power Trust, even coming up to the very verge of the court itself. They have not hesitated to penetrate any sanctum by any means, if they were able to influence anybody, from the private citizen clear to the top of the Government, and especially influence anyone occupying an official position.

There has been a great deal of litigation. I am going to call attention to only one case, and only briefly to that. I refer to the litigation now pending in the Federal courts in regard to the New River project, where the Power Trust is seeking to get a license to build a dam in that river, claiming that it is not subject under the law to the water power dam act passed by Congress, and that the Federal Power Commission—I am speaking of the Federal Power Commission and not the Federal Trade Commission, for the time being—has no jurisdiction.

A great deal was said in the newspapers some time ago about the concealing from the public of an answer filed by the commission. Incidentally, everybody knows, I think, that the commission is not any too friendly in its aspects to the people in the controversy it is having with this great power institution.

EMPLOYMENT OF MR. HUSTON THOMPSON

On account of public sentiment in the matter it was found advisable to, and they did, employ a very eminent attorney to represent the Federal Government, which in that case was the Federal Power Commission, in this litigation. Mr. Huston Thompson, a former member of the Federal Trade Commission, an attorney of national reputation, and of unquestioned ability and honesty, was retained.

Senators will remember that there was a great deal in the newspapers at the time to the effect that Mr. Thompson's

answer had been taken away from the files by a member of the bar representing the power company, that newspaper men went from Washington down to Lynchburg, where the clerk's office was located, and were unable to get a copy or to see the answer which had been filed, which Mr. Thompson had prepared and sent down there.

I have had some difficulty in getting that answer. I have had correspondence with several officials with regard to it. I finally wrote to Mr. Thompson himself and asked for a copy of the answer.

The power company was afraid to have the public see the allegations Mr. Thompson made in his answer. He prepared the answer and sent it down to the clerk. At the same time he sent a copy of the answer to the attorneys in the case, including Mr. Abbott, the local attorney at Lynchburg. Mr. Abbott immediately went to the clerk's office, and, being an attorney of record, of course, was allowed to take the answer from the files. He took it, although he had in his pocket at the time a copy of the answer sent to him by Mr. Thompson through the mail. When anybody went to see the answer, when newspapermen went all the way from Washington to get a copy of that answer from the records, they were told that the attorney had come to the office and gotten the answer.

They went to his office and he refused to give it to them. He kept it in his pocket, and it never saw the light of day until some time after, when there was a hearing before the judge on a motion which had been filed prior to the answer being filed, which gave them an ostensible reason for keeping the answer from the public, because the motion had, as a matter of fact, not yet been disposed of.

I want to read this letter from Mr. Thompson:

I am in receipt of your letter of recent date, together with the correspondence between you and the Federal Power Commission relative to your being allowed a copy of the answer that was tendered by me to the clerk of the United States district court at Lynchburg, Va., in the case of the Appalachian Electric Power Co. against George Otis Smith et al. The culmination of the correspondence on the part of the commission leaves it up to me or the Department of Justice as to the sending of the answer to you. In your letter you also asked me to advise you as to the publicity of the answer.

Permit me to say that since I have been connected with this case I have purposely refused all interviews with the press and have given out no publicity. I feel, however, that as the commission is the agent of Congress and as this document when it was tendered to the clerk of the United States district court was a public document, that it would not be proper for me to refuse to let you have the answer, nor would it be within my province to say what you shall do with it after you have received it. I am therefore forwarding a copy of the answer to you herewith.

I may say that I had written to the commission and asked them to send me a copy of the answer. They had a copy and they sent it to me, but they said in their letter that it was confidential and that I would not be allowed to use it. Without reading the answer, I sent it back and said I would not accept it on those conditions. That resulted in my writing Mr. Thompson, and the letter I am now reading is an answer to my letter to him.

I do not know that all of it would be interesting. The part I want to get to is as to what happened with the answer Mr. Thompson sent down to the clerk's office. I continue reading from Mr. Thompson's letter:

You have informed the commission and me that you have heard from many sources the facts that occurred with respect to the tendering of the answer, and you therefore request me to give you what information I have about it. The following are the circumstances:

On March 14, 1932, at Norfolk, Va., counsel for plaintiff and defendants appeared before Judge Luther Way, who entered an order upon the request of plaintiff requiring the defendants to file a motion to dismiss plaintiff's bill within a certain time and thereafter to tender their answer to the clerk of the United States district court. I objected to tendering answer before we had finished with the motion to dismiss, but counsel for plaintiff insisted on their right to see the answer regardless of the consideration of the motion. I filed the answer on April 27 with the clerk as required. I also sent copies to the several counsel for plaintiff, including Mr. Abbott, of Lynchburg, Va., and received acknowledgment from him that he had received his copy on the 27th.

On the 28th members of the press called me and asked for a copy of the answer. I refused their request, stating that I did not wish to appear in any way as encouraging publicity, but that the document was a public document and that they could get a copy at Lynchburg. On the 29th I was informed by a Mr. Ramsey, a member of the press, that he had been to Lynchburg and asked the clerk for the answer. The clerk, according to Mr. Ramsey, informed him that he did not have the answer, the same being in the possession of Mr. Abbott, attorney for plaintiff; that Mr. Ramsey then went to Mr. Abbott and requested permission to see the answer; that the latter refused to permit him to see it, to state what was in it or whether he would return it to the clerk. Mr. Ramsey and other members of the press again requested a copy, and I declined for the aforesaid reasons.

On May 2 I was in the courtroom at Norfolk prepared to argue the right of certain parties to intervene in the case. Mr. Jackson, of counsel for plaintiff, asked me to take part in a conference in the judge's chambers, and I acquiesced. Counsel immediately began attacking the answer as scandalous. Judge Way was called out into the courtroom by the grand jury, which was assembled, and in his absence counsel attacked me on the ground that my purpose was that of seeking publicity. I refused to discuss the matter and left the room, being followed by counsel who begged me not to insist on the answer being filed as it would be very injurious to them at this time of depression.

After considering the matter during the lunch hour, I finally agreed that if counsel would make the motion to withdraw the answer pending the action on the motion to dismiss and right was reserved to me to renew my tender of the answer, if I thought it necessary after action on the motion to dismiss, that I would not oppose counsel's motion. Subsequently the matter was brought up in court, counsel made his motion, and I notified the court that I would not oppose it under the circumstances presented to me. The court then asked us to retire and draw the order. When the order was completed and signed by us and we started for the court room Mr. Abbott stepped up and drew the answer which I had filed from his pocket and handed it to me. Subsequently in the court room the court admonished Mr. Abbott not to do such a thing again. I was informed thereafter that the answer had never been returned to the clerk after Mr. Abbott had taken it from the clerk's office.

Mr. President, it is interesting to know just what there was in that answer that made this great power-trust corporation afraid to have publicity. Their own attorney went to the clerk's office, taking advantage of the fact that he was an attorney, and took away the answer and never returned it to the files of the court. I think probably this is the part of the answer which had a good deal to do with the taking away of the answer by the attorney for the power trust. I am reading just a part of the allegations, just a part of one paragraph of the answer:

That plaintiff at all times—

This is referring to the power company that is trying to get a very valuable power site for the building of a dam and going into court to prevent the Federal Government from having anything to say under the power act as to the cost or the kind of a dam or anything whatever to do with it, claiming that the act passed by Congress had no application to the particular case. The Government of the United States, through Mr. Huston Thompson, in its answer, said, among a great many other things, referring to the power company:

That plaintiff at all times has followed a system of "writing up" its investments in its projects. That in the past it has made an investment in all of its properties, of, to wit, $72,621,455.20, being the total book value, and has issued and sold securities on said investment of $139,039,648, being an increase of $66,418,192.80 above the total book value, and has issued securities upon the basis of said "write-up"—

"Write-up," we must all remember, in common language means water pumped into the capitalization of the corporation—

has issued securities upon the basis of said "write up" and has sold a great part of said securities, based upon fictitious values of, to wit, many millions of dollars, to the public; that plaintiff sought to be relieved under section 23 of the said act of all restrictions on the part of the Federal Power Commission so that it might continue in its proposed project its practice of "writing up" over and above the actual investment as in its other projects, to wit, to the extent of many millions of dollars in securities, and of selling them to the public; and defendants aver that it was for this reason that plaintiff sought and now seeks to be relieved of the control by the Federal Power Commission over the construction, operation, and financing of its project.

That got into court. Mr. Huston Thompson, on behalf in reality of the people of the United States, in his official capacity has made this allegation in a suit now pending in court, and so afraid were the Power Trust and their attorney that the public would find out something about what Mr. Thompson had alleged that they took the paper from

the clerk's office and refused to let anybody see it—a public document filed with the clerk of the United States court taken away by the attorney for the Power Trust in order, as Mr. Thompson's letter said, to conceal from the public the allegations that had been made on behalf of the public for fear, as they said, in this time of depression it might injure them financially.

They are afraid of the truth. They dare not face the truth. They are adepts in covering up the truth and here is an illustration where they have gone into the very presence of the ermine of the judiciary in order to conceal the truth from the American public. They were afraid to let the newspaper people go into court and read a public document filed in a law suit. It might injure them. It would not injure them in the financial market if they had been honest. The reason they are afraid that it would injure them is because of the allegation that they were dishonest, that they were selling securities to the public the only value in which was water, that they were "writing up" overnight their capitalization by the millions and then selling the securities to the investing public.

That is the allegation which was made in that case in court, and so afraid were the Power Trust that the public would find it out that, in violation of all professional ethics, the attorney for the Power Trust took the papers away and kept them away so nobody could see them. If that had happened in my State before a justice of the peace the attorney who would do such a thing would have been disbarred from practice. It is unprofessional and unethical. But if a Power Trust attorney does it, it is bright, sharp practice and he can stand forth without any criticism. He was lightly tapped on the hand by the judge. The judge said, "Do not do that again." That was his punishment. This is only another example of the depths to which the Power Trust will stoop in trying to carry out its program of controlling the United States Government.

HOLDING COMPANIES VERSUS OPERATING COMPANIES

Mr. President, the investigation before the Federal Trade Commission will show that operating companies—an operating company is the company which makes the electricity and sells it—have been milked of very large sums in fees and charges of various sorts by contracts forced upon them by their controlling holding companies. In the case of the Electric Bond & Share Co. we are without complete information because certain books have been refused and the case for their production is still pending in court. I ought to say, by the way, that the Federal Trade Commission is in court now to try to get some of the books that some of the corporations have refused to permit their experts to examine.

But the commission was able to determine that on the fees charged to operating companies Electric Bond & Share Co. made as high as 105 per cent profit on the cost of doing the work, this in the face of the fact that its responsible officers had solemnly told the commission in a prior investigation that all of these services were rendered at actual cost. This was so reported to the Senate in the Senate Document 213, Sixty-ninth Congress, second session, page 75. They testified early in the hearings that when the holding companies like the Electric Bond & Share Co. did perform some service for an operating company, they charged nothing but the actual cost for the service. They testified to that and the Federal Trade Commission so reported. But further investigation developed that that testimony was not true, but that they made a profit as high as 105 per cent on some of the things they did for the operating companies. That means that the consumer of electricity had to pay that enormous profit of a corporation in reality charging itself a commission for something it did itself for itself. That is the reason why they have so many corporations. One can charge the other, and it in turn can charge the next one, and so on.

Operating companies have been charged by their holding group Federal income taxes. I am coming to something that I wish the people of the United States knew. I wish that Congress knew it because I doubt whether many of us are informed on the particular point. Operating companies have been charged by their holding group Federal income taxes based on their total income, but such sums have not been paid to the Government because of the permission to file consolidated returns, enabling the holding company to consolidate a weak sister with a prosperous operating company. One may examine the books of the operating company and find that a certain amount is charged for income taxes to the Federal Government, but that goes to the holding company and they consume it. If there is any other operating company that has not made a profit upon which such a tax would be payable, they put them all together and keep the money, and the Federal Government goes without taxes. That is the way they operate it.

In some cases the amount so charged to the consumers of the operating company has been very large, although little or none of it has reached the Federal Treasury. In other words, the consumer pays the tax, but the Government does not get it. Somewhere along the line from one holding company to another it is gobbled up by a holding company. Here are two examples shown officially before the Federal Trade Commission.

Exhibit 4834, report of Examiner Roger E. Barnes on New England Power Association, in parts 31 and 32, at pages 632 and 633, contains this information, and this is the official record of the Federal Trade Commission from which I am going to quote:

> The association charges the subsidiary companies an amount equal to the tax that would have been paid had an individual return been filed. It then files a consolidated return which is less in aggregate than the total of all the companies computed on the basis of individual returns. By this method the association collected more for taxes than it paid by the amount of $304,633.64 in 1928, and $72,337.72 in 1929.

That is going on right under the nose of Congress. Following that which I have just quoted is a table showing from which subsidiaries the aggregates are collected.

Exhibit 4868, part 33-34, page 777, shows that the North American Co. collected more from its subsidiaries for Federal income tax than it paid to the Government by the following amounts for the years shown: In 1927 the North American Holding Co. collected $324,915.17 more in income taxes from its subsidiaries than it paid to the Government of the United States. I wonder if Senators get that point. In 1928, this same corporation collected $675,000 more from its subsidiaries for income taxes than it paid to the Federal Government.

Mr. BORAH. Mr. President——

Mr. NORRIS. I yield.

Mr. BORAH. How could they do that except through the neglect of the Internal Revenue Bureau?

Mr. NORRIS. I think the Senator did not hear what I previously read, and I will read it again. This is the way it is done; this is an official quotation.

> The association charges the subsidiary companies an amount equal to the taxes that would have been paid had an individual return been filed.

Mr. BORAH. Mr. President——

Mr. NORRIS. Let me finish reading this, and I think I shall make it plain.

> It then files a consolidated return which is less in the aggregate than the total of all the companies computed on a basis of individual returns. By this method the association collected more for taxes than it paid.

Mr. BORAH. Would not its return to the Government be a false return?

Mr. NORRIS. I take it not, I will say to the Senator from Idaho. I think it is the fault of the law which permits them to file consolidated returns, but I doubt whether it is according to law when they collect a sum for taxes and keep it themselves. Whether it is legal; at least it is morally wrong. The consumers in a community are compelled to pay, and the holding company collects taxes as though that company were the only company, but over here in another State they have a company that has not prospered so well; they put them both together and they make a consolidated return to the Government, the subsidiary not making a return, and in that way they make these

profits. In other words, they do not hesitate to charge the consumers hundreds of thousands of dollars on account of taxes which they never pay; they keep the money; and that is where they get some of their profits.

When the Senator from Idaho interrupted me I was not through. I had given the figures as to this company for two years. I am now speaking of the North American Co. I gave its profits in 1927 and also in 1928 from this method of computing taxes. In 1929 this company collected $275,000 more from the subsidiaries for taxes than it paid to the Federal Government. That is for three years of which we have a record. Combined in those three years, what does it mean? It means that this one company in this one instance has collected in three years $1,274,915.17 more for taxes than it paid to the Federal Government for taxes.

I wonder if anybody would like to stop an investigation that is developing that kind of financial manipulation that is going on, every penny of which is paid for by the consumers of electricity by the charges levied upon them, while these poor corporations can not afford to pay the tax that the Senate proposed to levy upon them as taxes have been levied upon everybody else? They said, "Oh, no; we can not pay it." So the conferees were so kind to them as to bring in a conference report by which we took the tax off them and put it on the little fellow, who is not organized, who can not cry out, and who is so used to being pressed down to the ground that it is felt he will stand for it without complaint. These big fellows, these millionaires, these fellows who are turning water into gold by the millions, they can not pay the tax; it would not be right to tax them; they are exempt; they are too holy; we must not tax them. Tax the poor devil, tax the fellow that is ground down into the earth now by paying exorbitant taxes for this necessity of life.

Information is that already several holding companies have abolished service fees, put them at cost or lowered them, all to the benefit of the consumer and to the rates.

Mr. President, I have no doubt that is true; I have no doubt that many of these corporations, with this investigation going on, seeing what is in store for them, and what is ahead, have changed their practice in this regard. They paid hundreds of thousands of dollars, and used the people's pennies in doing so, to kill and to prevent the investigation, but as it goes on it is disclosing this highway robbery and it has had this effect. As stated, much of it has ceased because the light of day has commenced to penetrate into their activities; their sins are being told to the people of the country, and in the face of the sentiment it would create they can no longer keep up such a practice. So the investigation has paid for itself many times over in the money that it has saved the modest class of people in the United States in the way of electric-light rates.

In some instances original surpluses to the lure of investors have been shown to consist largely of "write-ups." I think I have covered that point.

In the case of the taking over by the Insull and North American group of the Studebaker group the admission obtained by the chief counsel from a responsible officer on the witness stand comes mighty near to showing direct violation of the antitrust laws in their efforts to control and divide territory and to suppress competition.

I wish everyone could read the testimony referred to in that statement. Mr. Healy, the able attorney who has been employed and who has had charge of this investigation, has shown in my judgment that these corporations are violating the antitrust laws. They divide the country up between them; they do as was done in Cæsar's time, "divide Gaul into three parts."

One of the outstanding facts which appears as a result of the Federal Trade Commission's investigation of utilities, and which seems supported by general knowledge and information, is that the local operating companies and their moderate-salaried staffs have quite generally carried on well; that the operating companies, except in cases where their superimposed holding companies have borrowed what they can not repay, are generally sound. This means that in the utility structure it is not the high-salaried absentee financiers and so-called general supervisory managers who have done the work, but that the low-salaried local men are the real performers. But this again leads to the inescapable conclusion that something is wrong in the utilities structure and that a remedy must be found for the system which has put upon the backs of these operating companies an unwarranted load of capital structure, of fees and charges of various sorts and even compelled them to part with their money on forced loans.

Recently, February 26, the financial editor of the Electrical World, leading paper of the electrical industry, suggested one possible alternative in centralization. This means nothing else in plain English than returning the local operating company to its independent position, permitting it to do its own work and carry its load and then to carry additional loads. Obviously the removal of these loads will be to the benefit of the rate payer, to the benefit of the operating company actually performing the service, and to the benefit of investors.

The service performed by the Federal Trade Commission disclosing the almost endless variety of schemes by which operating companies have been milked is of great value.

GREAT SERVICE OF FEDERAL TRADE COMMISSION

Mr. President, we do not fully comprehend the great service that the Federal Trade Commission has already rendered the people of the United States. I read not long ago a statement made by some one in behalf of the electric company that supplies Washington with electricity, comparing the present rates with the rates of some years ago. They have been very much reduced; but I venture the assertion here to-day, Mr. President, that if it had not been for those who have found fault, who at the risk of their reputations have proclaimed aloud that this great corporation was unduly milking the poor people of the District of Columbia by making them pay exorbitant rates; if we had not proclaimed that to the world; if there had been no investigation—and they fought the investigation every step of the way and tried to prevent it—if there had been nothing said, we would be paying in the city of Washington to-day 10 cents a kilowatt-hour for electricity, which was the rate when I first began to study this question. Those who have refused to follow the mandates and obey the will and the command of political leaders selected by Power Trust officials to carry out their will, to do their bidding; those who have had the courage to stand out and say "no," have been called bolsheviks and socialists and outcasts in society and in politics, but their work has brought to the people of the United States and to the capital city a saving of millions and millions of dollars in the rates they have been paying for electricity.

The service performed by the Federal Trade Commission, as I have said, has been very great. It is only too bad that this work by the Federal Trade Commission could not have been started three years earlier than it was at the time I introduced my original resolution of investigation. If it had been, I believe the investing public would have been saved literally hundreds of millions of dollars, and the crash that has come to all financial institutions would not have been what it has, as far as utilities, at least, are concerned.

Mr. LA FOLLETTE. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Wisconsin?

Mr. NORRIS. I yield to the Senator.

Mr. LA FOLLETTE. The Senator is making a very remarkable address. I therefore suggest the absence of a quorum.

The VICE PRESIDENT. Does the Senator yield for that purpose?

Mr. NORRIS. I do.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Dale	Jones	Reed
Austin	Davis	Kean	Robinson, Ark.
Bailey	Dickinson	Kendrick	Robinson, Ind.
Barbour	Fletcher	Keyes	Schall
Barkley	Frazier	King	Sheppard
Bingham	George	La Follette	Shipstead
Black	Glass	Lewis	Shortridge
Blaine	Glenn	Long	Smoot
Borah	Goldsborough	McGill	Steiwer
Brookhart	Gore	McKellar	Stephens
Bulkley	Hale	McNary	Thomas, Idaho
Bulow	Harrison	Metcalf	Townsend
Byrnes	Hastings	Moses	Trammell
Capper	Hatfield	Neely	Tydings
Cohen	Hayden	Norbeck	Vandenberg
Connally	Hebert	Norris	Wagner
Coolidge	Howell	Nye	Walcott
Costigan	Hull	Patterson	Watson
Couzens	Johnson	Pittman	White

The VICE PRESIDENT. Seventy-six Senators have answered to their names. A quorum is present. The Senator from Nebraska has the floor.

Mr. NORRIS. Mr. President, during the course of its investigation the Federal Trade Commission, under Senate Resolution 83, to date has made field examinations of the books and accounts and records of about 50 per cent of the public-utility companies coming under the resolution, and has had public hearings, and reported to the Senate on over 33 per cent of the public-utility companies coming under the resolution.

I think it important to consider that fact in connection with what I have already produced in the way of evidence and what I shall produce later on, because this investigation is not finished. Some of the books, documents, and papers have been withheld from the commission, and it has been necessary to go into court in order to have the matter determined. Cases are pending now and undetermined. It may be if the decisions of the courts are against the commission in some of these important investigations that it will be necessary before we finish the investigation to have additional authority conferred by Congress; and I want this taken into consideration, especially in relation to the so-called write-ups that I am soon going to take up, showing what has been developed up to date. Of course, we do know that only a part of it has been disclosed, and what is undisclosed no man now knows.

The Associated Gas & Electric Co.: Beginning June 14 and ending July 1, Examiner Charles Nodder, of the Federal Trade Commission, under questioning by Chief Counsel Robert E. Healy, has put into the public record a most amazing and complicated story of the transactions and practices of the Associated Gas & Electric Co. Into this company have been absorbed two groups which previously were of considerable size and importance, namely, the W. S. Barstow group and the J. G. White Engineering Co. group. At one time the White Co. stood high in its field. The two men who have been the directing geniuses of the complicated Associated Gas & Electric Co. group are H. C. Hopson and J. I. Mange, who control Associated Gas & Electric Properties, a Massachusetts voluntary association, which in turn controls the Associated Gas & Electric Co., with stated balance-sheet assets of nearly $1,000,000,000. About 180 operating companies were in this group at the end of 1929, extending in groups from New England to Arizona, with an operating revenue for 1929 of nearly $69,000,000, of which enough came through to the holding company to make the income of the Associated Gas & Electric Co. nearly $49,000,000.

It is impossible in my limited time to do more than call attention to a few of the outstanding points.

Exhibit 5157, which is the second volume of Mr. Nodder's report, lists and describes 31 different stock and security issues between 1922 and 1931. Mr. Nodder says in his report:

> The financial structure of the Associated Gas & Electric Co. has been of extreme complexity.

One reason for this, he says—

> Is the physical character of the numerous securities issued; their complex, exchangeable, and convertible features, and constant calling and substitution thereof by subsequent issues. This is further complicated by dividend payments on one class of stock made in another class of stock.

A little later he says:

> Securities were issued from time to time without authority of the board, and to correct this situation the board on two occasions passed retroactive resolutions ratifying various issues made.

The total water pumped into the capital of this group was not as large as in some others, amounting in the aggregate to about $20,000,000, which Mr. Nodder was able to demonstrate and which he says probably amounted to some larger figure, which it is impossible to trace through accurately. However, there are many other features, some of which are new and startling, so that the amount of actual inflation becomes comparatively a minor thing.

Prior to December 31, 1929, when the examiner closed his work on their books, the Associated Gas & Electric Co. had paid no Federal income taxes for the years 1926, 1927, 1928, and 1929, although it had accrued to itself from its subsidiaries by monthly accruals plus compound interest a sum amounting at that time to $2,938,513.12. (Exhibit 5157, pp. 1061, 1063.)

By a series of intercompany transactions it finally assigned its managerial contracts to the J. G. White Management Corporation, which had cost the Associated Gas & Electric Co. nothing, for a consideration of $8,000,000. (Exhibit 5157, p. 1087.) In other words, they got $8,000,000 for nothing. They pulled it right out of the air.

All value which this assignment carried was based upon what, through its contracts, it could take out of the various operating utility companies.

At another time it received stock valued at $5,100,000 for the assignment of a construction company. (Exhibit 5157, pp. 1093 and 1094.) Outside of certain equipment whatever value it had came from its ability to charge construction fees to the operating companies of the group.

A purchasing company was set up to do all the purchasing for the group. From this purchasing company the associated system received notes in the sum of $3,700,000. The sole value for such payment which the purchasing company capitalized as "cost of contracts" was its right to make purchases for the companies of the system. (Exhibit 5157, pp. 1103 and 1104.) It set up a corporation to buy things for it, that is all.

A company for the sale of appliances in connection with the system was set up which took over the inventories of appliances of the various companies, so that the operating companies thereafter really acted as display agents and sales agents for the merchandising companies. For this privilege the merchandising company paid the associated system $10,000,000. (Exhibit 5157, pp. 1110–1116.)

In other words, this corporation set up another corporation to buy something for it; and when it set up this corporation, it owned the stock—it was itself, in fact—and then it would buy something and turn it over to the other company and charge it a commission of several million dollars, and the transaction would be complete. In other words, it had bought something for itself, in reality, or had done some service for itself, in reality, and then charged itself a commission on what it had done. That is like pulling one's self over the fence by financial bootstraps if there ever was such a thing.

Besides this, H. C. Hopson, one of these two directing geniuses, set up a financial organization under the name "H. C. Hopson & Co.," at 61 Broadway, where the offices of the association are, and through it he has collected many fees for alleged financial services from the system.

In buying out the Barstow interests Mr. Nodder's report shows that for property having a ledger value of $314,614.88 the system paid money in stocks of a total value of $49,923,855.17. This is found beginning on page 535 of Exhibit 5156 and ending at page 548.

This is official information from the Federal Trade Commission. This particular company I am using as a sort of sample—and that is all, just a sample—this corporation set up to buy some other corporation. The report shows that

for property having a ledger value of $314,614.88 the system paid $49,923,855.17. That is financial ability. I think some of these fellows who are able to pluck millions out of the air like that ought to be appointed by Mr. Hoover to get away with the deficit, instead of bothering Congress about it.

WATER IN SECURITY VALUES

Mr. President, it would be interesting, I know, at least to the student, to have a general synopsis of the amount of water that has been pumped into security values shown by this investigation up to date. I have it not quite up to date. As I said a while ago, it is not complete—there is more to come—but I have a list in detail showing the so-called "write-ups." I do not like the term "write-up." It is rather a new name in financial phraseology, as I understand it. It is a polite name for "water." It is a polite name for "nothing." It is a polite name for thin air converted into value by a financial hocus-pocus, upon which the people of the country have to pay through all time dividends for the men who have made water into gold, and turned air into currency.

Mr. President, the investigation of the Federal Trade Commission so far has made a showing of companies putting water into capitalization, so-called "write-ups," as follows. We can get the information from Senate Document 92, volume 22, page 1199. The write-ups are as follows of the different companies composing the American Gas & Electric Co.

Appalachian Electric Power Co	$66,418,192.80
Ohio Power Co	2,775,371.77
Indiana & Michigan Electric Co	5,958,475.29
Scranton Electric Co	4,426,327.58
Kentucky-West Virginia Power Co. (Inc.)	3,300,000.00
Atlantic City Electric Co	2,212,774.86
Wheeling Electric Co	901,518.00

Making a total for the American Gas & Electric Co. group of $85,992,660.30.

So much air converted into money. Now, we will take the Electric Bond & Share group.

Electric Bond & Share Co. (S. Doc. 92, vol. 23 and 24, p. 49)	$399,201,827.39

I am considering now the Electric Bond & Share group, but I am taking the American Power & Light Co., one of its subsidiaries, and taking the subsidiaries of that company to start with. They are as follows:

Kansas Gas & Electric Co	$2,547,542.24
Texas Power & Light Co	8,160,000.00
Nebraska Power Co	5,866,452.58
Minnesota Power & Light Co. (Nov., 1920)	20,251,682.47
Minnesota Power & Light Co. (May, 1924)	1,383,246.62
Florida Power & Light Co	30,232,007.85

Making a total for the subsidiaries of the subsidiary of the American Power & Light Co. of $68,440,931.76.

National Power & Light Co., $35,000,000.

Electric Power & Light Corporation, $42,341,947.02.

Then, coming under the Electric Bond & Share Co. group, are some more:

Middle West Utilities Co. (report not yet printed), $30,816,770.

Standard Gas & Electric Co. (report not yet printed), $6,974,253.

New England Power Association, which is reported in Senate Document No. 92, volumes 31 and 32, page 635. The total water put into that corporation was $41,575,771.

The North American Co. (S. Doc. No. 92, vols. 33 and 34, p. 759), $5,040,105.

North American Light & Power Co. (report not yet printed), $23,180,934.36.

New England Power Co. (S. Doc. No. 92, vols. 31 and 32, p. 511), $2,000,000.

W. B. Foshay Co. and subsidiaries, $4,018,953.93.

Southeastern Power & Light Co., through its subsidiaries, first, the Alabama Power Co., $6,392,241.73.

Georgia Power Co., $33,453,500.

Appalachian Development Co., $4,389,679.75.

Mississippi Power Co., $12,724,558.73.

Southern Power Securities Corporation, $26,898,275.47.

The Southern Fuel Co. has changed water into gold to the amount of $1,799,000.

Dixie Construction Co., $1,000,000.

Southeastern Realty Co., $175,394.99.

Louisville Gas & Electric Co.—that is of the Byllesby group and the report is not yet printed. They put air and water into their capitalization to the amount of $2,013,500.

Mississippi Valley Gas & Electric Co., which is a part of the Byllesby group and the report has not yet been printed, $373,500.

Electric Power & Light Co. subsidiaries of the Electric Bond & Share Co.: First, the Arkansas Power & Light Co., which has had write-ups to the amount of $6,970,601.61; Louisiana Power & Light Co. have put water into their capitalization to the amount of $10,076,594.16; and Mississippi Power & Light Co., $10,714,544.37.

Washington Water Power Co., $2,591,185.30.

National Power & Light Co., $3,723,957.53.

Oklahoma Gas & Electric Co., report not yet printed, $3,263,560.16.

Nebraska Power Co.—excess of write-ups on operating-company books over write-ups on holding-company books—report not printed, $2,521,063.35.

Pacific Power & Light Co., not printed, $5,679,427.66.

Northwest Electric Co., report not printed, $5,000,000.

Idaho Power & Light Co., report not printed, $9,692,314.99.

Tide Water Power Co., report not printed, $2,714,967.75.

Carolina Power & Light Co., volume 26, page 90, $22,414,833.79.

United Public Service Co., $6,818,940.16 (Thompson Ross & Co).

TOTAL OF WRITE-UPS

Mr. President, what do you imagine is the total of the write-ups? How much water, how much air, have these financial jugglers changed into gold upon which they are taxing the American consumers of electricity? How much do you think, sir, it amounts to up to date, with the investigation probably not much more than half finished? Here is the grand total of the sums I have just read: $925,985,795.26.

Just try to comprehend what that means. With the investigation only partially finished, the Federal Trade Commission have disclosed write-ups in round numbers to the amount of $925,000,000 upon which the poor people, the common people, must pay a profit for all time—not for a day, not for a year, but, unless some change is made by the proper authorities, it must be paid forever. Our people are thus burdened down with $925,000,000 of water upon which we will make them pay through all their long tedious lives an income that will keep in luxury these financial vultures who are thus trespassing upon the rights of their fellow men. Who is going to stand for it? Where is there a representative of the Government of the United States who will say that we should permit this to go on? Yet when we tax them they have influence enough to control the Congress of the United States to take the tax off of themselves and have it put on the poor devil who is already overburdened.

As I showed yesterday in the beginning, all this investigation would have stopped if President Hoover had his way. He is opposed to it all. His own Budget would have cut the Federal Trade Commission off without a dollar to continue this work in behalf of the people. I wonder how long a suffering country is going to stand that kind of treatment? Are we helpless? Is there any way under heaven by which this downtrodden people can be rescued from this great octopus that is hanging about the neck of the Government of the United States? Nine hundred and twenty-five millions of dollars of air for which we are all paying and then we are afraid to tax them!

WHAT FEDERAL TRADE COMMISSION HAS ACCOMPLISHED

Mr. President, I have had prepared for me by representatives of the Federal Trade Commission a short synopsis of what the commission has done, what it has accomplished not only in the way of investigating public utilities, but

several other big trusts and corporations, including the chain stores and the cement companies. It is an exceedingly interesting document, but I do not believe I shall take the time of the Senate to read it. Therefore I ask unanimous consent that at this point in my address it may be included and printed as a part of my remarks.

The VICE PRESIDENT. Without objection, it is so ordered.

The synopsis is as follows:

Since the commission began its public hearings in the power and gas utilities investigation, one of the largest holding company groups has reduced the service charges to its operating companies by over a million dollars a year, and another large group has eliminated entirely all profit from such services to the operating companies, which results in a saving to the operating companies of approximately a million dollars a year. If these reductions to the operating companies have been passed on to the consumers, in these two instances alone consumers have been saved more than the total cost of this investigation, including the amount provided for by this amendment for the next fiscal year. During the progress of this investigation rate reductions to consumers have been quite general. One company stated that $2,600,000 had been saved by residential customers as a result of such a reduction in rates. This is more than twice the total cost of this utilities investigation to date.

By the terms of section 5 of the Federal Trade Commission act the commission is directed to prevent "unfair methods of competition in commerce," and by the terms of the Clayton Act it is specifically directed to prevent under certain conditions price discrimination (sec. 2), exclusive and tying leases, sales, or contracts (sec. 3), combinations through capital-stock acquisitions (sec. 7), and interlocking directorates (sec. 8). With reference to these practices the commission is without discretion as to whether or not it will proceed. Such methods are declared unlawful, and the commission is directed to prevent them. The procedure to be followed by the commission in preventing such practices is set out in the statutes. When there is brought to the attention of the commission facts which seem to indicate the possible violation of these acts the commission makes a preliminary investigation sufficient to determine whether there is enough merit in the matter to warrant the docketing of the matter for a thorough investigation. If it decides that there is, the matter is docketed as an application for complaint; and after thorough investigation, if the commission believes that a practice prohibited by the statutes is being engaged in and that a proceeding by it would be to the interest of the public, it issues and serves upon those using the practice a complaint charging such person or persons with violation of the particular act involved. After the issuance of such complaint the parties named as respondents have opportunity to file an answer, and after answer is filed testimony is taken and the case is briefed and argued before the commission, which disposes of it by either issuing an order to cease and desist from the practice or practices involved, if it thinks the charges of the complaint have been sustained, or by an order of dismissal, if it believes that such charges have not been sustained.

If an order to cease and desist is issued, the person against whom such order is directed may apply to a United States Circuit Court of Appeals for review of the order, and such court has authority to make and enter a decree affirming, modifying, or setting aside the order of the commission. The commission may appeal to such court for enforcement of an order to cease and desist where such is not obeyed. The proceedings before a circuit court of appeals are subject to review by the Supreme Court of the United States upon certiorari. The commission can compel the attendance of witnesses and the production of documents in proceedings before it by action before a district court of the United States.

Since its organization and up to June 30, 1931, the commission has under these powers instituted 19,212 inquiries, of which it has dismissed after preliminary investigation 12,296 and has docketed as applications for complaints 6,609. Of these investigations which have been docketed as applications for complaints, 4,228 have been dismissed, after thorough investigation, without the issuance of complaint. Complaints have been issued in 1,972 of the matters, and after proceedings on the complaints orders to cease and desist have been issued in 1,080 instances and the complaints dismissed in 662 instances. The other matters are still pending, awaiting final disposition. In the lower Federal courts the commission has had 193 cases, of which 182 had been disposed of by June 30, 1931. In the Supreme Court it had had 57 cases, all of which had been disposed of by June 30, 1931.

By these orders to cease and desist the commission has prohibited such practices as false and misleading advertising as to business status, nature of product, indorsement of product, results of product, source of product, etc.; misleading trade or corporate name; the use of bogus independents; combining and conspiring to restrain or monopolize trade by seeking to cut off competitors' sources of supply, labor, to fix and maintain prices, etc.; threatening suits not in good faith; maintaining resale prices; misbranding; wrongfully disparaging or misrepresenting competitors or their products; using exclusive dealing or tying contracts, price discrimination, the acquisition of stock of competitors, and many others.

It has been testified that as a result of one of these cases alone the farmers of the Middle West were saved $30,000,000 annually (the case against the United States Steel Corporation, so-called Pittsburgh Plus case). In another case the commission protected the cooperative method of marketing grain and established the right of farmer organizations, grain growers, and shippers to admission to the trading places, preventing a monopoly in the grain trade (the case against the Minneapolis Chamber of Commerce). The commission has literally saved the public millions of dollars annually by the prevention of various fraudulent and misleading advertising and misbranding practices. The commission has protected hundreds of business men from the unfair practices of rivals whether practiced directly or through bogus independents.

In certain types of cases where the proposed respondent is willing to cease and desist the practice the commission accepts a stipulation in which the proposed respondent agrees not to indulge further in the practice complained of. From December 1, 1925, to June 30, 1931, such stipulations had been accepted in 837 instances. The commission also prevents certain forms of false and misleading advertising by accepting stipulations to cease and desist using such advertisements. From May 6, 1929, to June 30, 1931, stipulations had been accepted in 119 such matters, and 389 such cases had been handled.

As a result of the above activities of the commission the public has been saved millions of dollars.

In addition to the above statutes the commission is also charged with the duty of enforcing the so-called export trade act, and in accordance with this the commission has continually had supervision of the activities of between 50 and 60 export-trade associations involving annual exports of hundreds of millions of dollars. In 1929 the value of such exports was $724,100,000, and in 1930, $661,000,000. The commission has instituted under this act to June 30, 1931, 881 investigations, including foreign-trade inquiries, and disposed of 364 such investigations.

This work of the commission and 73 special investigations have been done with a maximum annual appropriation of $1,864,800, a minimum annual appropriation of $430,964, and an average annual appropriation of $1,174,317.42; a maximum annual number of employees of 663 for the war year 1918, a minimum annual number of employees of 214, and an average annual number of employees of 348.35.

The utility corporations' investigation is one of the largest undertaken by any Government department. It involves an investigation and study of the practices, organization, relationship, conduct, and management of utility corporations throughout the United States. The organization, management, and relationship of many of these corporations are quite complicated and complex. Some of the holding corporations have as many as 250 to 400 subsidiaries; and in order to trace the growth, development, and relationship of these various corporations it is necessary to review the books of these corporations for periods of from 10 to 20 years. There is involved an investigation and study of much of the same character of information for utilities as is required by the Interstate Commerce Commission of the railroads in its efforts to value the railroads, upon which that commission has been working for 19 years, and for which particular work there has been appropriated $40,506,234.91, considerably more than the total appropriations for the Federal Trade Commission during its entire existence. The electric and gas utility companies constitute an industry comparable in size to the national railway systems. The public utilities represent an investment of about $25,000,000,000 as compared with $26,000,000,000 invested in the railroads.

There are about 170 Portland-cement mills in the United States, located in 35 of the 48 States. The total production during 1930 was 643,620,000 sacks (94 pounds each). This production dropped to about 498,280,000 sacks in 1931.

For convenience in stating price reductions since the commission started the investigation of the cement industry, the United States has been divided into four sections, namely, (1) the northeastern section, including the States north of Virginia, and Tennessee, and east of the Mississippi River; (2) the southeastern section, including the States south of Kentucky, West Virginia, and Maryland, and east of the Mississippi River, also including Louisiana; (3) the central section, including the States west of the Mississippi River and east of the eastern boundary line of Montana, Wyoming, Colorado, and New Mexico; (4) the Rocky Mountain Pacific section, including the States west of the central section. The total shipments by all mills in the United States during 1931 were approximately 505,860,000 sacks.

The consumption of cement in each of these four sections, as reflected by the shipments into the several States of each respective section, during 1931 was as follows:

	Barrels	Per cent
Northeastern and lake section	73,138,484	57.8
Southeastern section	14,433,563	11.4
Central section	25,849,691	20.5
Rocky Mountain Pacific section	12,183,824	9.6
Exports	387,486	.3
Territories	471,952	.4
	126,465,000	100.0

According to the Bureau of Mines, Department of Commerce reports, the net mill value of cement covering the entire United States declined from approximately $1.44 per barrel in 1930 to $1.12 per barrel in 1931, a reduction of 32 cents per barrel or 8 cents per sack. This figure reflects the reduction in prices put into effect during 1931. The net mill value of 1931, however, includes

sales during the first part of the year, before the reductions became effective.

The mill base prices of cement at the various mills in the northeastern and lake section were reduced during 1931 subsequent to the beginning of the investigation of the cement industry by the commission from 40 cents per barrel at the mills in the Lehigh Valley to 75 cents per barrel at the silos in Cleveland, Ohio.

The mill base price at the mills in and around Birmingham, Ala., was reduced since the beginning of this investigation by 26 cents per barrel.

The mill base reductions in the central section during the investigation ranged from 44 cents per barrel at Iola, Kans., to 84 cents per barrel at Ada, Okla. No attempt has been made as yet to arrive at the average reduction in mill base prices in any of the above sections.

The commission has received direct from dealers throughout the United States the retail price per sack of cement in small quantities beginning with January, 1929, to and including the year 1931. In the northeastern and lake sections, which consumed approximately 73,000,000 barrels of cement, 57.8 per cent of the total consumption for the United States, reports show reductions in prices since the investigation began, ranging from 5 cents per sack in Buffalo, N. Y., to 30 cents per sack at Painesville, Ohio. These reports cover 33 locations in the States of Massachusetts, Connecticut, New York, Pennsylvania, West Virginia, Ohio, Illinois, Indiana, Michigan, and Wisconsin. Twelve of these locations reported reductions of 20 cents or over per sack. Nine additional locations reported reductions of 15 cents or more per sack.

From the southeastern section, which consumed approximately 15,000,000 barrels, or 11.4 per cent of the total consumption of the United States during 1931, there are reports from only seven different locations, which show reductions in price since the investigation began, ranging from 4 cents per sack at Mobile, Ala., to 15 cents per sack at Knoxville, Tenn.

In the central section of the United States, as defined above, 33 different locations in the States of Iowa, Kansas, Missouri, Nebraska, Oklahoma, Texas, and Minnesota show reductions in prices since the investigation began, ranging from no reduction at Norton, Kans., to 35 cents per sack at Leoti, Kans. Fifteen of the thirty-three locations showed reductions of 20 cents or more per sack. Seven additional locations showed reductions of 15 cents or more per sack. A dealer in Nebraska reports a reduction in the price per sack of 27 cents, 37½ per cent; a dealer in Michigan reports a reduction in the price per sack of 22 cents, 35 per cent; a dealer in Michigan reports a reduction of 21 cents per sack, 31 per cent; a dealer in Iowa reports a reduction of 15 cents per sack, 18¾ per cent; a dealer in Minnesota reports a reduction of 15 cents per sack, 18¾ per cent.

Reports from the retail dealers in the Rocky Mountain Pacific section are not complete. The general information, however, is that there were very slight reductions in prices to the small consumer in this section. However, the section consumed only approximately 12,000,000 barrels, or 9.6 per cent of the total consumption of the United States. No attempt has been made as yet to estimate the average reduction in the retail price of cement in any of the above-described sections of the United States.

The mill-base prices which are used by the manufacturers in determining the delivered price of cement for the mills east of the Rocky Mountains declined within a range of 26 cents per barrel for the Birmingham mills to 84 cents at Ada, Okla., and these reductions are reflected in the retail price of cement as noted above.

The study of discounts and allowances in the chain-store investigation has apparently led to the abolition of a large part of such and thus saved thousands of small independent merchants from being forced out of business.

The commission at present has on its pay roll 519 employees. Unless the commission is allowed this $360,000, in addition to the amount now carried in the bill, it will be necessary for the commission to discharge over 200 of these employees, over 38½ per cent.

ACTIVITIES IN NEBRASKA

Mr. NORRIS. Mr. President, yesterday and to-day I have taken Senators all over the United States just giving brief glimpses here and there. Senators have noticed, or if they will think about it they will notice, that the so-called write-ups, this water that has been pumped into the capitalization of public-utility companies, is not common to one locality. Senators probably noticed when I read the list that it covered practically every nook and corner of the United States. It covers the whole country. The investigation is not yet completed. When it is completed it will be seen that there is hardly a locality or school district in the United States that is not affected by the unconscionable operations of the Power Trust. No one has been forgotten. It covers everybody and everything.

I want to conclude what I have to say by adding one more locality. I want now to take you, Mr. President, to my own State of Nebraska. I have taken as samples, and only as samples for the purpose of illustration, companies operating in various localities, and have shown what they have been doing. To some extent I want to do that in my own State, and I shall only touch the high spots there. I shall be able to show in this case, as I could show in almost every other case, that while they are pumping water into their corporations they are not forgetting anything else. They never forget anything. While they are changing water into gold they are not forgetting about politicians in school districts, in legislatures, in senatorial campaigns, in presidential campaigns. They have their men ready to write a platform from prohibition to declaration of war to suit any convention that wants to use it if they can keep out of that convention platform anything that might hurt them.

Mr. President, when we get to Nebraska the first thing we run up against is the Nebraska Power Co. It is the great representative there of the Electric Bond & Share Co., of Wall Street, New York. The Nebraska Power Co. was developed from the systems of the Omaha Electric Light & Power Co. and the Citizens' Gas & Electric Co., of Council Bluffs, which was a subsidiary of the Omaha company. The Council Bluffs company, now a subsidiary of the Nebraska Power Co., is known to-day as the Citizens' Power & Light Co. The Omaha and Council Bluffs companies together serve a population of about 214,000 in Omaha and 42,000 in Council Bluffs, and operate also in about 40 towns and rural territories within a radius of 50 miles of Omaha and within a radius of 25 miles of Council Bluffs in Iowa.

As a foundation for the financial manipulation which took place in the transfer of 1917 and since there are the extraordinary growth and the ample and sustained earning power of these Omaha and Council Bluffs utilities. The Nebraska Power Co. itself has acknowledged that its steady growth and financial success has been due in a considerable part to the foodstuffs industries in and about Omaha, which show a steady growth without violent fluctuations in periods of inflation or deflation. This is shown from a transcript of the Federal Trade Commission hearings, March 9, 1932, at page 19578.

In the 1917 transfer the value of the properties was written up over night by more than 100 per cent. To get the full significance of this "write up" it is necessary to go back some years into the early history of the Omaha utilities. Now over night—and this is from the investigation of the Federal Trade Commission—the capitalization had pumped into it 100 per cent of water and the next morning that was gold. When we go back we find that the writing up of the assets and the issuing of watered stock began very early, so that the inflated financial structure of 1917 was reared not upon a solid foundation of property or value but in large part upon water that had been pumped earlier into the old companies, as well as the new companies, which the Omaha council has imputed is "a most profligate issuing of stocks and bonds that represented no investment whatever."

Here is a sketch of what happened. The original electric plant was built in Omaha in 1885. It changed hands in 1889 and again in 1903. When the second transfer took place in 1903 an inventory was prepared indicating that the utility company itself valued its properties at that time at $794,000. Yet these properties changed hands with a capitalization of $1,201,000, as they passed out of the control of the old owners, and with a capitalization of $3,831,000 as they came into the control of the new owners. Just get that picture! In the first place they themselves admitted that the total valuation was only $794,000 when the original company sold it, but they sold it at a value of $1,201,000—quite a profit that was for one day—they sold it to another corporation, and the next day on the books of the new company the valuation was $3,831,000, showing that over night two transactions of converting water into gold had taken place.

It was the conviction of Omaha's mayor and city council, expressed in a rate decision years later, that even the $1,201,000 exceeded the value of the property; and these officials found that when the capitalization was boosted to $3,831,000, or more than 200 per cent, in 1903 not a stick nor a stone of property was added; not a single thing of value was added except 200 per cent of water. The additional securities were water. A utility baron of that city took them for his own when he acquired the control of an

old company and transferred its properties to a new one headed by himself. His little deal was exceedingly profitable; for in later years, between 1903 and 1917, the new company's common stock, all "water," paid dividends as high as $600,000 a year—$600,000 annually for nothing. In those days even utility barons rated that as a pretty fair profit. (Exhibit 5038, appendix 10, sheet 5, of the Federal Trade Commission.)

At the same time that the fixed capital was written up and the watered stock was issued, apparently, the public-utility franchise which one of the old companies had obtained from the city of Omaha was put on the book as an asset having a value of $2,055,000, or more than three times the value of the company's tangible property as shown by its inventory, as shown by its own books. The franchise was greater in value than all the property they owned, as shown by their books; a franchise that, of course, did not cost a cent, a franchise that, as a matter of truth and honesty, belonged to the people of Omaha and not to the corporation.

The franchise was being carried on the books at this value when the Omaha system next changed hands in 1917.

When this transfer in 1917 took place the Omaha utility purported to have assets of $6,432,000, but, with the franchise value eliminated, the amount of the assets was only $4,377,000. It is by no means certain that they were worth even that much, because, as we have seen, the Omaha City Council believed that even before the franchise value was assigned, in 1903, the utility's assets were overvalued, and the old inventory bears this out. But the power barons who took hold in 1917 were not concerned with pools of "water" behind; their eyes were glued upon the rivers of "water" and the floods of profits ahead. They hurdled clear over the $4,377,000 assets value without the franchise, and the $6,432,000 assets value with the franchise, and set up a new value of $13,500,000.

That is "going some." The mighty Electric Bond & Share Co. had taken charge. The whole of the transfer deal of 1917 was engineered by this company, which controls one of the greatest of all the power systems in the country and has been in the forefront of every conflict between the Government and the power industry for years past.

The Electric Bond & Share Co. wished to obtain control of the power system centering around Omaha and to make this system a part of its own much greater system. This it accomplished, first, by buying up the common and preferred stocks of the Omaha Electric Light & Power Co. For those securities it paid, in one form or another, a total of $4,633,000. Then it took these same securities and sold them to one of its own subholding companies, the American Power & Light Co., for $5,865,000, netting a profit, in cash and stock, of $1,232,000. There was not any property added, Mr. President; it was the same property; they merely sold it to themselves and increased its value.

This sale need not be regarded very seriously as the American Power & Light Co. is, in fact, a sort of "paper" company, which is virtually identical with the Electric Bond & Share Co. itself; that is to say, it is staffed and officered by Electric Bond & Share; much of its controlling stock is held by Electric Bond & Share, and there are various other devices which make the union extraordinarily close. The American Power & Light Co., at any rate, paid the Electric Bond & Share for the Omaha securities by issuing demand notes and securities of its own and delivering them to the Electric Bond & Share Co. Then, being possessed of the securities of the old Omaha Co., the American Power & Light Co. turned them over to its new Nebraska Power Co. through a "dummy" and recapitalized the properties. In doing so it disregarded entirely the $4,377,000 which, be it remembered, was the amount of the assets with the franchise eliminated. It disregarded also the $4,633,000 which the Electric Bond & Share Co. had paid for the Omaha properties, the $5,865,000 which American Power & Light had paid to Electric Bond & Share for them, and the $6,432,000 purported fixed capital which appeared on the books of the old company. Instead of heeding any of these figures, it caused the new company to enter upon its books as fixed capital $13,500,000 and to issue its securities accordingly. This was accomplished merely by writing a new set of figures on the books.

The report of Examiner J. W. Adams, of the Federal Trade Commission, states explicitly that there was no change whatever in the amount or the character of the properties. All that happened was that the Omaha Electric Light & Power Co. closed its books on May 31, 1917, with a fixed capital of $6,432,000, and the Nebraska Power Co. opened its books the next day showing a fixed capital of $13,500,000. The difference, or write-up, was $7,068,000. Adding some write-up for the Council Bluff subsidiary, there was a total write-up of $7,387,000. On the 31st day of May, 1917, the corporation holding these properties in Omaha and vicinity was turned over to another corporation, and in the transaction, all of which was completed between the closing of one day's work and the opening of the next day's work, there was $7,387,000 of water pumped into the capitalization of that company, upon which the people of Omaha and vicinity will be paying revenue through all time unless some remedy in some way may be provided to rectify the condition.

The whole procedure was not only unsupported by any additions to plants or equipment; but it appears to have been entirely arbitrary. As in many other such deals, the commission found no record of any appraisal of the properties. They did not even pretend to have an excuse; they just wrote that much water in the valuation on their books the next morning after the transfer had been made.

Against the "paper" addition to assets of $7,387,000, the promoters "wrote up" the company's surplus $177,000. Substantially all the rest of the increase was made the basis for new securities. Where $3,789,600 securities had been outstanding, exclusive of the big bond issues, the new company issued $10,999,500. (Transcript, March 10, p. 19693.)

Substantially all these securities were delivered to the American Power & Light Co. A large portion of them was handed on by this company to the public. From $5,500,000 of the Nebraska Power Co. securities, the American Power & Light Co. realized at the time of the transfer, or thereafter, more than $5,000,000. It took, for itself, $5,000,000 of the Nebraska Power Co.'s common stock. Since it paid for the Omaha properties, technically, the $5,865,000, and got back more than $5,000,000 of this through the sale of securities, the American Co.'s books should indicate cost to it, for the Nebraska Co.'s common stock, of about $766,000, but what the books show here is not the real truth.

The technical cost to the American Co. of the Omaha properties, $5,865,000, included the profit of $1,232,000 to the Electric Bond & Share Co., and the deal which gave rise to this profit was merely one between the left hand and the right hand.

Mr. LONG. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Louisiana?

Mr. NORRIS. I yield.

Mr. LONG. If the Senator will permit me, I should like to remark that that was rather a conservative rake-off, was it not? That was not customary; that was only about one-third of what is usual, and that would seem to represent an improvement.

Mr. NORRIS. Probably they had taken such a big rake-off before that they were ashamed to do the same thing again so soon afterwards.

Mr. LONG. A profit of two or three times that size would be customary.

Mr. NORRIS. The deal which gave rise to this profit was one merely between the right hand and the left hand. The Electric Bond & Share Co., the American Power & Light Co. and the Nebraska Power Co. were, for all practical purposes, a single entity. Their real nature is best illustrated by the fact that a law firm in Augusta, Me., which looks after the incorporation of Electric Bond & Share enterprises and votes their stock by proxy, voted all the stock of all three companies at each stockholders' meeting.

We must remember they are incorporated over in Maine to do business in Nebraska.

When we eliminate the $1,232,000 profit to the Electric Bond & Share Co. on the "sale" of the Omaha properties to its own subholding company their cost was only $4,633,000. Then, since the American Power & Light Co. realized more than $5,000,000 from its security sales, it actually profited by approximately $466,000 besides retaining for itself the $5,000,000 of common stock at no cost. (Transcript, March 10, p. 19702.)

The results were:

First, the expenses of the Omaha acquisition were paid.

Second, the Electric Bond & Share took a profit of $1,232,000 upon the sale of the Omaha properties to its subholding company, the American Power & Light Co.

Third, over and above these expenses and this profit there was an excess capitalization of $5,000,000 or more, which was utilized for the issuance of a huge block of common stock to the American Power & Light Co. at no cost, and, in fact, with a cash profit to that company on the side.

It is this huge block of common stock which has brought the greatest profit to the controlling interests, and which has chiefly served to drain off the excess earnings of the Omaha property, which means its excess collections from the consumers. This is clearly shown in the dividend records of the Nebraska Power Co. during the 12 years from 1917 to 1928.

In these 12 years there was paid in dividends a total of $7,663,000. Of this total, $4,075,000 was paid in dividends on the common stock alone, and virtually all of this common stock was held by the American Power & Light Co., which, as I have pointed out, is all but identical with the Electric Bond & Share Co. Therefore, say the Trade Commission's reports, the indications are that "practically all the $4,075,000 paid went to the American Power & Light Co." (Exhibit 5038, p. 194.) And remember that all these dividends were paid as a return on a supposed investment which was in reality no investment at all.

The holding company's pickings have grown richer from year to year. In 1924, these common-stock dividends amounted to only $367,000 a year; but by 1927 they had grown to $741,000, and by 1930 to $1,200,000 a year.

It may be wondered how profits so extravagant can be piled up on stock which is nothing but water. There are several very compelling reasons for this.

In the first place, there is the part played by the investor who is permitted by the promoting and controlling interests to put up all or nearly all of the money which is actually needed, either to take over properties or to expand them.

A second factor in making possible the huge profits is the phenomenal increase in the use of electricity. Between 1918 and 1930, the Nebraska Power Co.'s production increased about 325 per cent. Thus, even if the cost of producing electricity had remained the same, the company could have made larger and larger profits from year to year.

But the cost, in fact, went down sharply, thus providing a third factor leading to increase of profits. In the same period, from 1918 to 1930, the average generating cost declined from approximately three-quarters of a cent per kilowatt-hour to a little more than a third of a cent per kilowatt-hour. (Transcript, March 9, p. 19617.) Other costs also declined. The total expense per kilowatt-hour for both generation and distribution, including taxes and depreciation as well as uncollected bills, dropped from 2.23 cents in 1920 to 1.24 cents in 1930.

The reasons for this sharp decline in costs were several. Because of the increased production there was a more continuous utilization of equipment. The equipment itself became more efficient. Accordingly the consumption of coal per kilowatt-hour was cut in half. The price of coal declined sharply, and likewise the prices of supplies needed for the power plants. Then the new machinery proved so efficient that, instead of using more labor as the production increased, the company actually used less labor. During the period from 1920 to 1930, for example, when production increased 180 per cent, the number of employees declined 5.6 per cent, or from 124 to 117.

The vast savings which were made possible by all these factors were not, of course, monopolized entirely by the power company. It was necessary to reduce rates somewhat, although some of the reductions were made by the company against its will. At any rate, when the total expense of generation and distribution was declining from 2.23 cents to 1.24 cents per kilowatt-hour between 1920 and 1930, the average selling price of current to all classes of consumers dropped from 2.90 cents to 2.27 cents.

The Trade Commission's examiners even concede that by and large the savings in production and distribution costs were passed on to the consumers; but they point out that there were further large savings in financing which were not passed on at all. These savings were made possible by the financing of new construction, made necessary by the big increase in production and sales, by means of bonds and preferred stocks, which carried moderate rates of interest.

The effect of these savings due to declining costs and financing at low rates of interest, and the failure of the company to pass on more than a limited part of these savings to the consumers, is more clearly shown in an analysis the commission has made of the distribution of the consumer's dollar. Since the reorganization of 1917, the proportion of this dollar absorbed by production and distribution expenses, by interest, and by dividends on preferred stock has shown a "marked decrease." During the same time there has been a "marked increase" in the portion of this consumer's dollar going into common-stock dividends and surplus. The result is that whereas in 1918 common-stock dividends and surplus absorbed only 3.58 cents of each dollar, by 1930 they were absorbing 22.77 cents, or nearly a fourth of every dollar the consumer paid in.

In newspaper accounts of the Trade Commission hearings there were cited rates of return on the common stock held by the holding company ranging up to 338 per cent. Such a rate of return appears fantastic, but a close examination of the commission's reports shows that even this figure is in a sense an understatement. To compute the rate of return it was necessary to credit the holding company with an equity in the common stock; and, although the company has such an equity from the accounting standpoint, this equity results entirely from an accumulation of the company's surplus earnings. It does not represent money which the holding company itself has furnished but money which consumers have paid in, and which the company has permitted to remain in the enterprise over and above the amount it has drawn out in common-stock dividends.

From 1917 to 1926 there was no equity whatever behind the common stock, according to the commission's studies. Since then, as the accountants put it, "the entire common-stock equity has been built up from earnings carried to surplus." (Transcript, March 9, p. 19638.)

Now, turning from the returns on the common stock to the return on the actual investment in the property, so far as this investment could be computed by the Trade Commission, we find that between 1923 and 1928 the total investment ranged from $12,500,000 to $18,500,000. In not one of these years from 1923 to 1928 was the return on investment less than 12 per cent. In 1928 it rose to 13.4 per cent. (Exhibit 5038, p. 237.)

These percentages appear conservative because, while the commission in computing investment excluded the "write-up" of 1917, it had no means of determining accurately the investment in early years, and therefore was compelled to accept certain book figures.

The power companies gave no help in digging deeper for facts. Both at Omaha and in New York, commission examiners were told that records of the predecessor company had been misplaced or destroyed, although the company produced them in Omaha in 1920 when they were needed to further its application for an increase in rates. (Transcript, March 10, pp. 19684–19685 and Exhibit 5038, p. 172.)

The probable truth is, Mr. President, that the figures I have given are much too conservative. The facts are that the Federal Trade Commission have never been able to get

to the bottom of it. They do not know themselves, from their investigations, all of the write-ups. They can not tell, from their investigations, how much water has been pumped into these securities in the past.

The power companies say that the books are lost; that they are not able to find the records. They evidently have been destroyed, although when they wanted to use them for their own purposes in 1920 they found no difficulty in finding them.

FEES

Now, about the fees:

The approximately $4,000,000 which the Electric Bond & Share interests have taken out of the Nebraska Power Co. in common-stock dividends without making an investment do not represent all the profit accruing to these interests. They have profited also through fees imposed upon the local company by the Electric Bond & Share Co., and by commissions on the sale of the local company's securities. From 1918 to 1930, these fees and commissions amounted to $1,431,000. The fees were imposed for supervision of operations and of management, for financing, for construction work and for "special services." The construction fees the commission has already found to be practically clear profit.

The collecting of them is scarcely more than a racket for bringing additional profits into the holding company's treasury. As to the fees as a whole, there is less known, but the commission has established that there is a big profit in them without being able to determine its exact extent. Neither my constituents in Nebraska nor I as a Member of the United States Senate am permitted to know the amount of this profit. When the trade commission made its first power investigation half a dozen years ago, pursuant to a resolution I introduced, the Electric Bond & Share Co. assured the trade commission that these fees were nonprofit making. In the present power investigation, under Senator WALSH's resolution, the commission has stated that this claim is false and that there is a substantial profit in fees. But when the commission sought to examine the records which would show the extent of the profit, the Electric Bond & Share Co. refused to yield access to these records. Its attorney stated that they would not disclose matters which were "wholly private and confidential." It has tied up the trade commission in the courts for three years. The commission is about to get a decision in this case, and probably to get the records also, if it is allowed sufficient funds to complete its investigation.

The fees paid to the Electric Bond & Share Co. by local companies are provided for in contracts which must be approved by the local companies' directors. For this and other financial reasons, and for political reasons as well, the directorships are important.

LOCAL SUPPORT

For its Nebraska Power Co. directorate, the Electric Bond & Share interests have installed not only a half dozen of their men, who quite evidently run the local company, under directions from New York, but nine of the most prominent business men in Omaha. These local business men may not have much work to do, because a majority of the officers, and two out of three members of the executive committee, are connected with Electric Bond & Share interests higher up. But they are securely tied to the company and, along with them, all the influence they command in Omaha and the surrounding country.

Listen to this, speaking of the Nebraska Power Co.: Each of these local men is permitted to buy 5,000 shares of Nebraska Power Co. stock at 50 cents a share. On his $2,500 investment each one of these men collects dividends amounting to from $6,000 to $6,500 a year.

That ought to keep them sweet. That ought to keep the local fellows good to the foreign companies in this great concern doing business in Omaha. That means from 240 to 260 per cent on the investment. Each time one of them attends a directors' meeting he is paid $30. When he retires, his stock is repurchased at a price 150 per cent in excess of cost, which nets him a parting profit of $3,750.

I wonder whether the people of Omaha and Nebraska comprehend really what that all means, how a few of their prominent citizens are given directorships where they have nothing to do except to say "amen" to what the bosses in New York tell them. All the thing is for is to sweeten the corporation in the eyes of the great consuming public in Nebraska, who have to pay the bills, and the prominent men are given these important positions in order that their influence may go out over the country and the surrounding towns and keep the people quiet. Each one of them is permitted to purchase this stock at 50 cents a share, and when they retire it is repurchased at $1.50 a share. That makes a clear profit of $3,750. In the meantime, when they meet with the board of directors and are given a few high-priced cigars to smoke, and perhaps something else, they get $30. On the investment they have been permitted to make they get a rate of return of from 240 to 260 per cent.

Dividends netting a return of 160 per cent on the cost of the stock were paid in the years 1927 and 1928, after smaller but handsome and constantly increasing dividends had been paid to local directors in earlier years. The commission listed as directors in 1928: Joseph Barker, Thomas B. Coleman, Harley G. Conant, Gould Dietz, A. W. Gordon, Dan A. Johnson, John W. Welch, Glen C. Wharton, and Fred E. Hovey, president of the Stockyards National Bank.

The six directors belonging more particularly to the Electric Bond & Share wing were: W. W. Head, chairman of the Nebraska Power Co. and chairman of the Omaha National Bank; James E. Davidson, president of the Nebraska Power Co.; Roy Page, then assistant general manager of the company and now its vice president and general manager; J. A. C. Kennedy, company counsel; A. S. Grenier; and C. E. Groesbeck. Grenier is an Electric Bond & Share Co. man and Groesbeck was then an officer and director of Electric Bond & Share and American Power & Light, and is now president of the Electric Bond & Share Co.

Not all of these more active directors figured in the stock ownership plan in which the local business men were allowed participation. Two company officers, who may have been directors, held similar blocks of stock in 1929 and 1930. Four directors of the Council Bluffs subsidiary also were let in. (Transcript, March 22, p. 20220.)

Mr. Davidson has come to the commission's attention before. Prior to scrutinizing high finance as it has been practiced in the Nebraska Power Co., the commission learned how the power magnates "doctored" school books and wrote new ones of their own. This Mr. Davidson, who is president of the Nebraska Power Co., is also one of the gentlemen who wants to alter our educational system. He says it is not fair. A few years ago, when he was president of the National Electric Light Association, he wrote a friendly little letter, telling just what he thought. It reads:

NATIONAL ELECTRIC LIGHT ASSOCIATION,
Omaha, Nebr., August 15, 1925.

Mr. FRED R. JENKINS,
Chairman Educational Committee,
National Electric Light Association, Chicago, Ill.

DEAR MR. JENKINS: I have read with a great deal of interest your letter of July 1, and also those of August 11 and 12 to Mr. Aylesworth about the work of the educational committee, doing everything possible to right the unfortunate situation that now exists in having textbooks that are in the hands of pupils of the schools containing erroneous and unfair information about the economics of our business and particularly those pertaining to electric light and power companies, their financial matters, operations, and policies.

I was very much surprised when I read Mr. GILCHRIST's report on this condition. I think your idea is very good of having Dean Heilman handle this matter. It is fortunate, too, that Mr. Mullaney will also help.

You have my very best wishes for a successful result in the very important work which you are undertaking.

Very truly yours,

J. E. DAVIDSON, *President.*

(Part 4, Exhibit No. 2540, p. 912.)

Mr. President, I think most of the Senators will remember that this letter is only a part of the great propaganda that was undertaken by the Power Trust to change the textbooks in our public schools, under the guise of some other

reason, to get their agents to become friendly with the Boy Scouts, to get into the schools, to have things taught in the schools that would be friendly toward the idea held by the great Power Trust.

I remember that it was shown in the investigation that they circulated in some of the schools of New England a catechism, working carefully, through various ingenious means, teaching the school children that they must look with horror upon any such thing as public ownership of a public utility like an electric-light plant; lecturers telling the children, and telling the teachers, some of whom were employed on the side at salaries paid by the power company, to put the poison of the electric-power influences into the minds of the growing children of the United States.

This letter of Mr. Davidson is simply a part of the program. He says that the textbooks in the hands of the pupils contain erroneous information. Of course, they give that as a reason. The real reason is that they want to write the textbooks for the children, as the evidence developed by the Federal Trade Commission that if they could get their influence into the minds of the young, while they were forming their minds, while they were schoolboys and schoolgirls, they would grow up to be men and women friendly to the ideas of the Power Trust.

I remember that in that investigation something happened in regard to the secretary of a State press association who was doing a lot of work quietly for the Power Trust, sending out letters on which they paid the postage, for which they paid the expense, trying to poison the minds of the people against municipally owned electric-light plants. This Davidson letter is a part of it all.

NYE COMMITTEE INVESTIGATION IN NEBRASKA

Mr. President, I think I ought to digress here to make a remark or two about one or two of the prominent men in the Nebraska Power Co. who were allowed to get this stock at the low rate and sell it at the high rate and get these fabulous dividends. One of them was Walter Head. Who is Walter Head? He is the financial genius of the Missouri Valley. For a while he had headquarters at Omaha. He is a personal friend of Herbert Hoover, President of the United States. The Nye committee, when they were investigating campaign expenditures last year, ran on to his tracks out in Nebraska. They had a long siege of it before they traced him down. Walter Head was then connected with one of the big banks in Chicago. He had formerly lived in Omaha and operated the Omaha National Bank. He controlled or was supposed to control the financial operations of all the banks of the State. To a great extent he took care of the politics of the State. On the face of it he was a Republican, but always for the power companies first. He financed a good many operations.

The Nye committee put on the witness stand a man by the name of Victor Seymour. It had been reported to the committee that Seymour had been actively engaged in looking after the senatorial campaign in Nebraska. He went on the stand and under oath explicitly denied all knowledge of any connection with politics. He had nothing to do with it. He did not know anything about a bogus grocery man who disgraces the name I bear, who had been put into the campaign as a competitor of mine. He knew nothing about it. All he knew was what he saw in the papers, and I think the committee believed him, but it later developed that it was all false. It later developed that he had an office there and did not do anything else but politics, that he had his men all over the State canvassing. He was engaged exclusively and entirely in the senatorial campaign. It was recognized that he must have had considerable money to carry on that kind of an operation. The investigation kept on, came to Washington, went back again to Chicago, and back again to Washington, Walter Head knowing all the time what was going on and that they were trying to find out who furnished the money for Victor Seymour.

Finally the Nye committee got it so close to Walter Head that when he knew he was going to be disclosed he came to the witness stand and admitted it. In order to put himself right before the people he told before the committee what he was. Everybody in Nebraska knew it before. He was chairman, or a member, at least, of the board of directors of some of the great railroad companies of the United States. He was head of the Boy Scout movement. He was chairman of the board of the Nebraska Power Co., and that is where he comes into this case. Incidentally he might have told them that he had the reputation—which I presume was purposely circulated over the State years before when he wanted to control the politics of the State—of being teacher of the biggest Sunday school in the State—a very religious man, running the Boy Scout movement; but incidentally it developed that he had put up several thousand dollars of money for Mr. Seymour, the man who had already committed perjury. He knew Seymour had done that. He saw the committee go from one end of the country to the other trying to find out the truth about it. He remained silent, this great Christian Sunday-school teacher.

He is one of the men who at that very time—I presume it was within those dates—was drawing these fabulous sums from the Nebraska Power Co. The people of Nebraska did not know it then. Nobody suspected that this great Sunday-school man, this great Boy Scout Christian, was engaged with Victor Seymour in the disreputable business in which he was engaged. But he admitted under oath that he had furnished four or five thousand dollars of money to Victor Seymour. He said it was his own money. Oh, no; it was not paid by the power company! But the evidence before the Federal Trade Commission shows that he was getting a rake-off from the Nebraska Power Co. of thousands of dollars which honestly, morally, and rightfully was not his money. He did nothing to earn it—nothing, at least, that was legitimate. So he was connected up with the matter.

I might say incidentally in passing that this man Victor Seymour was indicted for perjury committed before the Nye committee. He is as clearly guilty of perjury as any man in the civilized world has ever been guilty of perjury. He testified point blank that he knew nothing about the transactions, when, as a matter of fact, he was behind them from beginning to end, and it was afterwards disclosed and proven that he was. Even Walter Head's own testimony shows what the man's business was.

Here is a peculiar thing. This man Victor Seymour has no money. That is not to his discredit, and I am not mentioning it for that reason. I only mention it to show that as a matter of fact if he relied upon his own financial responsibility he could not hire the lawyers who had been engaged in his defense. Who are they? This shows the bipartisan condition of many of these great combinations. First, one attorney who is representing him is chairman of the Nebraska Democratic central committee and another attorney is, I believe, ex-chairman of the Republican State central committee, the heads as it were, of the two great political parties of Nebraska. They are both fine men, I have not a thing against either one of them. Both are good lawyers, but in my judgment neither one of them was employed on account of his legal ability. Neither one of them could have been employed by Victor Seymour. I venture the assertion without fear of any contradiction from any reliable source that Victor Seymour never did employ either one of them. They were employed for their political influence more than their legal ability, although they have legal ability and political influence both. They were employed for the same reason that ex-Senator Lenroot was employed by the Power Trust to appear before the senatorial committee in their behalf—not because of his legal ability, but because of his supposed political influence.

This man Victor Seymour could not get to first base in paying an attorney fee to either one of the men who were employed for him. They have gone out of their way in the litigation. They have tried every avenue of escape for this perjurer. They have had the case considered on some technicality which they tried to find in the indictment. It was taken to the court of appeals on that technicality. They have had habeas corpus proceedings tried in the Federal courts. They carried it to the next higher court, being defeated both times. The expenses of those attorneys, with-

out any fees, would be much more than Mr. Seymour has ever been worth in all his lifetime.

The indictment was quashed the first time on some technicality. He was reindicted and they made motions to quash and filed demurrers and resorted to every legal technicality known to the legal mind, and still were unsuccessful. They finally went to trial and the jury disagreed, and that is where, perhaps, the wisdom of selecting these attorneys was shown. The jury stood 11 to 1 for conviction of this perjurer and, of course, that meant that the jury had to be discharged.

Who employed these great men at the head of the great political parties, using their wonderful influence and their legal ability for a man who has not a dollar? Who hired these lawyers? Who paid these lawyers their fees and their expenses? Echo answers "Who?" I hurl the question into the face of Walter Head, the personal friend of Herbert Hoover, who put several thousand dollars of his money into Victor Seymour's hands. Let him answer. Let these attorneys answer if they dare. Walter Head is shown here, by the evidence I have produced, as getting an enormous rake-off from the Nebraska Power Co., posing as a Sunday-school teacher, and furnishing his money to this perjurer to carry on his disreputable business.

J. B. WOOTAN'S LETTER

But, Mr. President, that was not quite all. I have here a copy of a letter written by J. B. Wootan. He is connected with the publication of a Power Trust magazine in Chicago. He wrote to his friend Brown in Lincoln, Nebr., while the investigation was going on, after the primary and while the election contest was going on. Brown is the representative of the Power Trust in the State. This letter was written during the campaign. I got hold of it. It has always been a mystery how I got it. I read it from the rostrum in a public speech that I made in that campaign. Many people went into hysterics the next day when it was published.

The man to whom it was directed, the power-company tool, immediately got on his high horse and said he was going to have me prosecuted for interfering with the mails; that it must be that I must have robbed the mails to get that letter. He was going to have an investigation from Washington at once and "have Senator NORRIS arrested for robbing the mails." I read the letter again at the next meeting after he made that charge and defied him to go ahead with his investigation. He did. I have had representatives of the Secret Service of the Department of Justice at Washington calling on me asking questions about the letter. They seem to take for granted that I have gone into the post office and broken into the mail and robbed it of this precious letter.

Part of the letter refers to the Senator from North Dakota [Mr. NYE], but the tone of the letter shows what the Power Trust wanted to happen in Nebraska in the senatorial campaign. I think they are hunting yet to find out how I got that letter, and it is so interesting to see them hunt, it is so interesting to see them all get worked up about it, that I have never told them [laughter], although I could do it very easily and it would be very simple. No one has ever denied anything the letter contained, oh, no; but the means by which it was obtained is still a mystery to them. I read:

DEAR BROWN: Our mutual friend Arthur Huntington, of Cedar Rapids, has just been in my office and given me a most interesting bit of news, and I want to know from you if you think it would justify me in running out to Nebraska and getting this matter first hand in such shape, if possible, as to enable us to publish it.

He is the publisher of a Power Trust magazine in Chicago.

The thing is this—

He says—

Huntington says that either Senator NYE or one of his confederates in the snooping business demanded of one of the hotels of Lincoln the privilege of tapping such telephone wires in the hotel as he might desire and doing this in the name of the United States Government. The manager of the hotel is reported to have replied that he would be willing to have this done provided NYE or his confederates would bring mandamus suit to compel him to do it, whereupon the matter was dropped, and NYE was out of town in five hours. If this thing can be verified to make it safe for publication, it seems to me it ought to be done. It looks as though it is a corking good newspaper story, and possibly it has been published; I don't know. At any rate, write me and let me know what you think about it. Meantime—

And this is the real crux of it all—

Meantime, has Hitchcock any chance whatever of beating NORRIS? I wish I could think so, but from all the information I have been able to gather it looks dubious.

I am, with kind regards, yours truly,

J. B. WOOTAN.

Of course, the fairy tale to which he refers about what happened to Senator NYE is all made out of the whole cloth; but it shows how anxious this Power Trust sheet was to get hold of something that it could publish. The writer of the letter was willing to come to Nebraska if he could be assured of getting facts that would make it safe to publish that falsehood and that lie. Then he showed where his heart was in the last paragraph of the letter and where the heart of the great Power Trust was and is now.

Mr. President, the Nye committee remained there and brought out evidence that startled the whole country. It showed that there was a conspiracy to prevent the voters of a great Commonwealth from having the right to express themselves on the senatorial candidate and that it was one of the most disgraceful episodes in the history of American politics.

The Nye committee remained there and developed the facts, and the answer to the insinuations in that letter all came from the evidence when the Nye committee showed that Victor Seymour had been planted in the capital, had rented an office, employed a stenographer, and had a whole lot of men traveling over the State, and that he was doing it secretly, under the guise of doing something else; that he himself had prepared a written statement for the bogus Norris to issue when he came out in the campaign; that he was the author of it and that it was written in his own handwriting. Yet on the witness stand he denied he had ever heard of it until he saw it in the newspapers; he denied that he had had anything to do with anybody's campaign, and said that he had not spent a dollar in any activity of this kind. He stands now indicted for perjury, and if justice shall have its way he will eventually be looking through the bars. There can be no escape.

Mr. CONNALLY. Mr. President, will the Senator yield?

The PRESIDENT pro tempore. Does the Senator from Nebraska yield to the Senator from Texas?

Mr. NORRIS. I yield.

Mr. CONNALLY. What connection did Mr. Lucas, the executive head of the Republican National Committee, have with reference to stirring up this man Seymour?

Mr. NORRIS. Mr. Lucas was not connected directly with Seymour. He was connected with another occurrence almost as disgraceful in connection with the Nebraska election, but I have not gone into that because there is not any connection between Walter Head and Lucas, so far as I know. Walter Head is connected with the Power Trust.

Mr. CONNALLY. I want simply to observe that I followed the Senator's progress in the campaign in Nebraska with a great deal of interest. I wanted to see him elected; I was reading all I could in the press at the time, and I had obtained the impression somewhere in some way that this man Lucas had been using the powers of his office to encompass the defeat of the Senator from Nebraska.

Mr. NORRIS. That is all true. I think the means which he used were as disgraceful or almost as disgraceful as those which were used when they tried to put the bogus man with the same name in the campaign.

Mr. CONNALLY. I agree with the Senator. Both of them aroused my utter condemnation and scorn as political performances. I thought both proceedings absolutely disgraceful.

Mr. NORRIS. The story of the way Lucas was found out by the Nye committee, while not directly—and that is the reason I am not going into it, because it is not directly connected with the subject I am discussing—is just as interesting, and it shows the most disgraceful and obnoxious methods used by Lucas to cover up his tracks, to

conceal his methods. to conceal the use of money, methods just as bad as anything that ever occurred anywhere else in anybody's campaign.

Mr. LONG. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Nebraska yield to the Senator from Louisiana?

Mr. NORRIS. I yield.

Mr. LONG. I should like to mention this fact: The Senator from Nebraska was up for election at the same time I was in the State of Louisiana. I had been nominated by the Democratic Party, and when the Republican organization was carrying on its nonpartisan move against the candidate of its own party I was given to understand that an attack might be made on my nomination by the Democrats in the September primary because I had spoken over the radio and said that the Senator from Nebraska should be returned to this body, and he was not a member of my party.

Mr. NORRIS. I thank the Senator very much, and I may add that the great Power Trust is no respecter of parties. They do not care for the Republican Party or the Democratic Party or the Socialist Party or the Communist Party or any other party. They would do anything to get—that is what they are after—to get anybody who will do their bidding. He is the man they will support, and the evidence taken by the Federal Trade Commission shows that to be so. They prepare speeches for Democrats and speeches for Republicans to be delivered. They can condemn the Republican Party in as severe terms as any Democrat of the worst type would want them to do. They will fix it up to order, if you want them to, and they will do the same for the other party.

Mr. LONG. Is it not a matter of common knowledge that they planted their henchmen and tried to make two of them nominees of the Democratic Party in Chicago, one of them the head of the General Electric, Mr. Owen D. Young, and the other a lawyer from Cleveland, and tried to deadlock that convention and put them over on the party—heads I win and tails you lose—and before the people at the November election?

Mr. NORRIS. Yes, they do all those things; that is part of their business; they always employ somebody to do it; somebody like Walter Head, for instance, who they can say is the head of the Boy Scout movement, who teaches Sunday School every Sunday, who asks a blessing at his table at every meal—a great, prayerful man—that is the kind of man they want to use. And when they want a fellow to handle the underworld they get the type they want to do that. It does not make any difference to them—politics or anything else.

Walter W. Head financed the senatorial survey of 1930 and got a slice of the big profits of the Electric Bond & Share people provided by it for local directors during both 1929 and 1930. As a director of the Nebraska Power Co. he held 5,000 shares of the Nebraska Power Co. stock which he had been permitted to buy for $2,500—50 cents a share. His dividend on this $2,500 investment amounted to $6,500 in 1929 and $6,000 in 1930. The official statement of this profit is given in testimony of Examiner Meleen before the Trade Commission of March 22, 1932. Here is a quotation from his testimony:

> In 1929 dividends were paid of $1.30 per share, which, in the case of 5,000 shares. amounts to $6,500, a return of 260 per cent. In 1930 dividends were paid of $1.20 per share, and amounted to $6,000 on 5,000 shares, or a return of 240 per cent.

That is what Walter Head got according to the transcript, March 22, pages 20215 and 20216. That is Walter Head, the Sunday-school man; Walter Head, the Boy Scout man; and through it all and in it all and with it all a Power Trust man.

NEBRASKA POWER CO.

Besides the profits accumulated through dividends and through fees imposed upon the subsidiary companies for supervision, construction, and the like, the Electric Bond & Share Co. interests, profits through the commissions on sales of securities, and besides this direct profit, they control the use of large amounts of subsidiary company funds for extended periods.

We have been told that one of the great advantages of a utility company being under the wing of a giant holding company is economy in borrowing money. Let us see how it works out. Properly done, I think, that would be true; in theory it is all right; if an honest man managed it, it would be all right; but here is the way it works out:

In the reorganization of 1917 the Nebraska Power Co. issued $1,500,000 of notes along with other securities. These notes were to run for 10 years. They bore an interest rate of 5 per cent. Through them this Omaha company was obtaining the use of money at 5 per cent and had the right to continue doing so for 10 years; but instead of doing so the controlling interest caused $400,000 of these notes to be retired only two years after they were issued by means of refinancing. The notes contained no provision for this, but the holder of them was the controlling holding company, and this company wanted cash. The bond issue which was used for the refinancing bore interest at the rate of 5 per cent like the notes, but when the bankers' discount, the commission of the Electric Bond & Share Co., and the expenses of the issue were deducted from the proceeds the real interest rate, or what the accountants call the effective interest rate, became 6.64 per cent.

There is an illustration, Mr. President. They already had money at 5 per cent that they had a right to keep for 10 years; but they took it out and borrowed money, nominally at the same rate, but the effect of the commission they had to pay made the new rate of interest nearly 7 per cent, all of which the consumers of electricity had to pay. The profit went to the holding company. The profit went to those who controlled the Electric Bond & Share Co.

Again, three years later, in 1922, the remaining $1,100,000 of these notes were retired, again by refinancing. This time the refinancing was accomplished through an issue of 6 per cent debentures, on which the real or effective rate of interest amounted to 7.49 per cent. They owed over $1,000,000, drawing 5 per cent, that was not due for about five years. They took it up and paid it, and to do it they borrowed the money. and they paid a rate of interest of 7.49 per cent to get that money to make the payment. Those are the people of efficiency! They are the people who we are told can run the big business of this country with great efficiency. That is efficiency for you! That is where monopoly becomes efficient. That is where the power trust shines—in that kind of efficiency. But the poor devil at the bottom who is paying for his electricity, the poor woman who is earning her money sewing at night by an electric lamp is paying the bill that all these millionaires slipped down into their pockets as profit.

The additional cost represented by the higher interest rate in these two instances amounted to $33,950 a year for this one company, a total of $180,000. Thus high rates of interest were substituted for low rates of interest in one instance eight years before it appears to have been necessary to refinance; in another instance five years before it appears to have been necessary to refinance. The subsidiary in Nebraska had to assume the burden of the higher interest rates.

If this looks like holding-company exploitation, consider the next instance cited by the Trade Commission.

Some years ago the Nebraska Power Co. issued $1,100,000 of general mortgage gold bonds. Money rates were high at that time, and the bonds bore interest at the rate of 8 per cent. It would seem that to pay so high a rate the Nebraska Co. must have needed money badly; but from the records and the correspondence obtained by the Federal Trade Commission investigators it appears that the Nebraska Power Co. did not need money at all. It was the holding company that needed it. The Nebraska Power Co. did not even know—I wish Senators would listen to this—that it was borrowing any money until it was told about it by the Electric Bond & Share Co.

On June 10, 1921, the Electric Bond & Share Co. notified the Nebraska Power Co. by a letter that the Nebraska Power Co. was floating a loan in the principal sum of $1,100,000.

It was being credited on the books of the holding company with $951,500 as the estimated proceeds of the loan; and its account was being so credited as of May 1, 1921, or about 40 days before the Nebraska Power Co. heard anything about the deal.

Think of that, Mr. President! Oh, that is efficiency! Oh, that is the way private business can operate public utilities! So efficient! It is not affected by the dead hand of Government ownership. There is no socialism in it. There is no bolshevism in it. There is no communism in it. It is all pure, private efficiency, private ability.

Here is a holding company in New York which wanted some money. How much was it? Well, let us see. I think it was something over a million dollars—$1,100,000—that they wanted; so they said, "Well, here, we will just have the Nebraska Power Co. borrow that for us. We own them. They are incorporated under the laws of Maine. We will send up there and tell the representative up there to have the Nebraska Power Co. borrow $1,100,000."

So it is done. The Nebraska Power Co., away out in Nebraska, plodding along with the farmers and the merchants, did not know anything about it. They did not know that they had borrowed $1,100,000. They had no idea about it. So from Wall Street the Electric Bond & Share Co. writes a letter and says, "Why, do not you know, you have borrowed some money? You have borrowed $1,100,000. You have given your notes for it, and we credit you on our books for those notes." "How much?" "Nine hundred and fifty-one thousand five hundred dollars."

So the poor Nebraska Power Co. borrowed money when it did not want it, borrowed money that it never got, borrowed money amounting to $1,100,000, and was given credit on the books of the Electric Bond & Share Co. in New York for only $951,500. The balance was expense—selling their own loan, buying their own loan. They sold it for the Nebraska Power Co., and they bought it for themselves, and they charged them the difference between $1,100,000 and $951,500 for that work—for buying some bonds for themselves and getting the money themselves. Fine work! That is efficiency!

If a public utility owned by a little municipality should do such a thing as that, what would happen? Why, we would charter a vessel at once, and put the perpetrators on it, and send them over to Russia without opportunity to say goodbye to their wives. We would not stand for such an unpatriotic thing. But these men, these Sunday-school superintendents, these Boy Scout leaders, will borrow money, and they will saddle the burden upon the poor, downtrodden people who are paying all the money and all the expense of this outrageous and inhuman and unjustifiable conduct of millionaire monopolists.

Well, the Nebraska Power Co. found out that they had borrowed this money and they found out how much credit they were getting down in New York and Wall Street. They were notified in June that they had borrowed some money and that the Electric Bond & Share Co. had sold the bonds for them, and they had it, and they had given the Nebraska Power Co. credit for $951,500 as of May 1. That was kind. That not only showed great ability but it showed great honesty and kindness and consideration for the poor devil at the other end of the line who has to pay the bill.

Their account was so credited as of May 1, 1921, or about 40 days before the Nebraska Power Co. heard anything about the deal. Meanwhile the American Power & Light Co., the subholding company for Electric Bond & Share, had issued and sold, partly on the security of these bonds which the Nebraska Power Co. had not known it was going to issue, $3,500,000 of its own gold bonds. It was not until June 20 that the Nebraska Power Co. bonds were authorized by the Nebraska Power Co. directors.

On the $1,100,000 bond issue by the Nebraska Power Co. there was a discount of 13½ points, or $148,500, charged by the American Power & Light Co. There was an expense of $650, and a year and a half later the bonds were retired.

Think of it! They were borrowing money when they did not need it, did not want it, and in fact did not know it, and they paid this enormous rate of interest for it, and they kept the money only 18 months. So for the use for 18 months of $951,500 which they apparently did not need, the Nebraska Power Co. paid a discount and expense of $149,150, plus interest of $132,000 on the principal amount of $1,100,000, or a total of $281,150. This was equal, the Trade Commission accountants report, to an interest rate of 19.71 per cent a year.

That is what these great financiers paid. They borrowed money when they did not want it and did not need it and did not know they got it; but they did borrow it, and they had to pay at the end of the transaction an interest rate of 19.71 per cent. That is what these poor Nebraska fellows were paying. That is what these fellows over in Council Bluffs, Iowa, were paying. That is what the washerwoman had to pay in order to feather the nest of this great trust in Wall Street. If anybody wants to look that up, it is Exhibit 5038, page 82. Even the poor farmer can borrow to better advantage than that.

Since the proceeds of the loan were merely applied against the indebtedness of the Omaha company to the holding company, and the average rate previously charged on this indebtedness was only 7 1/8 per cent, the additional interest cost was $119,000 a year, or a total of $179,000. All of this added cost went to the holding company.

Again, in 1924 the Nebraska Power Co. floated securities to the amount of $1,000,000. For these securities it received in net proceeds $902,000; and the great bulk of this, $825,000, was merely left with the Electric Bond & Share Co. to lend out in the call-loan market. Some of it was not drawn upon by the Nebraska Power Co. for five months.

Think of that! This holding company had the Nebraska Power Co. borrow some more money, a million dollars this time, and leave it with them, and they loaned it out on call—gambled with it, in other words. But the poor fellows who had to pay it, and who owed it all, after all, were the little home owners, the laboring men and women of Omaha and surrounding towns.

SALES TO SUBSIDIARY

The Nebraska Power Co. sells electricity to its Council Bluffs subsidiary. The price this Council Bluffs subsidiary pays to the Nebraska Power Co. becomes the basic cost for the fixing of rates in Iowa. On these sales the Nebraska Power Co. takes an estimated profit of 0.04 cent up to 0.63 cent per kilowatt-hour. Chief Counsel Healy intimated that this practice of exacting a profit on sales from the right hand to the left hand might be reached under the Supreme Court decision of February 29, 1932, in the case of the Western Distributing Co. against The Public Utilities Commission of Kansas. This decision appears to have broadened greatly the authority of State utility commissions to regulate charges between affiliated corporations.

Mr. PITTMAN. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Nebraska yield to the Senator from Nevada?

Mr. NORRIS. I yield.

Mr. PITTMAN. I ask permission to introduce a bill and have it properly referred.

Mr. BINGHAM. A parliamentary inquiry. If this permission is granted, will it constitute business which would make in order the calling of a quorum?

The PRESIDENT pro tempore. Undoubtedly.

Mr. PITTMAN. If there is to be an objection, I will not ask the permission.

Mr. NORRIS. Mr. President, the effect of the sales to the subsidiary is to permit the Nebraska Power Co. to collect two profits on this subsidiary's operations. It profits on the direct sales of energy and also on the dividends upon the subsidiary's common stock, which is held by the Nebraska Power Co. The dividends amount to slightly less than $60,000 a year. Ultimately the profits, whichever way they may be made, redound to the benefit of the Electric Bond & Share or American Power & Light interests holding the common stock of the Nebraska Power Co.

RATES

Even after a reduction of domestic rates forced by the Omaha City Council in 1921 and a voluntary reduction of domestic rates in 1929–30, the average Omaha consumer is

paying 5.5 cents per kilowatt-hour for his electricity, according to the commission's examiners. The consumer in the small town pays 7.8 cents per kilowatt-hour and the farmer pays an average of 12.8 cents. (Transcript, March 9, p. 19661.)

That rate reductions have been inadequate is evidenced by this testimony of Examiner J. W. Adams:

> Obviously the company's problem is, as stated by its manager, that of getting its rates down as a means of increasing consumption. Such action, however, would have to be carried somewhat further than it has in the past in the direction of rate reductions before it would tend to pass on to consumers any considerable part of large profits that hitherto have been retained for the common-stock equity. (Transcript, March 9, p. 19665.)

Adams's statement takes on more force when it is considered in conjunction with the record of Nebraska Power Co. earnings available for the common stock, which is so much "water," and for surplus. These earnings increased from $829,940 in 1926 to $1,755,303 in 1930. They are estimated to have increased about $160,000 more in 1931, despite the depression. (Transcript, March 9, p. 19637.)

Adams sums up the situation when he says:

> From this showing it appears that in making voluntary reductions in residential rates in Omaha in 1929 the company by no means endangered its ability to pay dividends on the common stock owned largely by its parent company, the American Power & Light Co. The fact is that in every year since the properties were taken over the Nebraska Power Co., after paying all expenses, taxes, interest, and dividends on preferred stock, has realized substantial profits for its common stock, the bulk of which, as shown by the accountant's report, was actually held by the American Power & Light Co. for nine years at no cost to itself. (Transcript, March 9, p. 19629.)

The company actually waged a prolonged fight for higher rates when its earnings fell off just after the war, although the Omaha City Council pointed out that the only result would be to make this "watered" common stock more profitable. (Exhibit 5038, Appendix 10, sheet 9.)

Its application for the rate increase was denied. The company spent $95,000 on rate investigation and valuation, however, and charged it up to operating expenses. (Exhibit 5038, pp. 169–170.)

As I said a while ago, the poor consumer pays it all. It is nothing to the power company how much it pays for a contest over rates; they do not care, they are just collectors, that is all; and they charge a mighty big profit and commission for collecting. The poor consumer bears the entire burden.

WAR AGAINST MUNICIPAL PLANTS

Now see what happens to this municipal competition which is about the only means of regulating the charges and practices of the private companies. Speaking now of Nebraska, and the Nebraska Power Co. and its activities, municipal ownership centers in the two communities of Fremont and Blair. Blair is an oasis of public ownership in Washington County. Nearly all the rest of that county pays tribute to the Nebraska Power Co. Fremont is in somewhat the same position in Dodge County. Blair only distributes its energy, first buying it at wholesale from the Iowa-Nebraska Light & Power Co. Fremont has its own generating plant, serving the city itself and a small rural territory. These towns are 40 or 50 miles from Omaha.

The Iowa-Nebraska Light & Power Co., which sells at wholesale to the city of Blair, serves the territory adjoining that of the Nebraska Power Co. and its Council Bluffs subsidiary. It pretty well surrounds not only the territory of the Nebraska Power Co. but the municipal plants of Fremont and Blair and certain other municipal systems. This Iowa-Nebraska Light & Power Co. is not under Electric Bond & Share, as the Nebraska Power Co. is. It is part of the United Light & Power Co. system, otherwise called the Eaton-Schaddelee group. But its lines interconnect with those of the Nebraska Power Co. and the Nebraska Power Co. subsidiary in Council Bluffs. It buys energy from the Nebraska Power Co., and, more important, it has a "gentleman's agreement" with the Nebraska Power Co. for division of territory. Between the territorial limits of the two companies there is a neutral zone about 2 miles wide into which either company may extend its lines and sell electricity. When a municipal plant can be persuaded to sell out or an opportunity is offered to land a new customer in this neutral zone representatives of the two companies get together and decide which shall have the business.

Against this background of common interest, the Nebraska Power Co. has expanded to the west and northwest in the Platte River Valley in the last few years by purchasing many small private and municipal distributing systems. Several of these systems formerly were served by the Fremont municipal plant, which sold them energy at wholesale.

The result of this expansion by the Nebraska Power Co. is that the Fremont municipal plant is entirely surrounded by Nebraska Power Co. lines. It has lost most of its outside market. But it has continued to operate and, under the law adopted by initiative in 1930, giving municipalities the right to own power lines beyond their municipal boundaries, it is extending its lines into rural territory. (Transcript, March 9, p. 19573.)

In its determination to expand and to put the municipal plants out of business, the Nebraska Power Co. has paid extravagant prices for these municipal plants. To get what idea it could of values, the Trade Commission examiners scrutinized exhibits prepared by the Nebraska Power Co. itself in connection with litigation in Nebraska. They found that, even accepting the company's figures, it had paid for seven plants over 30 per cent more than the estimated cost to reproduce them, without any allowance whatever for depreciation or for obsolete equipment.

There we have it, Mr. President. It took a good while to introduce it, to show what I was going to show, but here we have it. This great representative of the great Power Trust sees, 40 or 50 miles from Omaha, a city owning its own electric-light plant, paid for by its own citizens, giving an illustration, as a matter of fact, of cheap electricity to its citizens. It has expanded and extended its lines. It is serving seven or eight towns in the vicinity, where the people buy current at the Fremont plant and distribute it themselves.

What happens? The Nebraska Power Co. creeps out and surrounds that city with its wires, its network, and it goes to this municipality and to that municipality to buy their distributing system. What do they do? The Federal Trade Commission finds that they paid for those seven plants 30 per cent more than it would cost to build them now, without making any allowance for depreciation or wear and tear. Probably it would be fair to say that they paid 50 per cent more than the plants were worth.

That is poor business. Everybody knows that when that kind of a thing happens somebody must bear the loss. Like others of the extravagances and the bad financing of the Power Trust, it is the poor devil down in the humble home who has to bear the loss.

For the seven plants the company showed a reproduction cost new of $103,783, compared with the purchase price of $134,955. For the Cedar Bluffs group of plants there was shown a reproduction cost new of $24,134 against a purchase price of $35,000. For the Arlington municipal plant there was shown a reproduction cost new of $27,285, compared with the purchase price of $34,000.

The examiners point out that as none of these plants were new and there was no allowance for depreciation, the premiums the power company paid to get them out of the way were actually "considerably greater" than these figures show.

Roy Page, vice president and general manager of the Nebraska Power Co., admitted that the physical value was only a small part of the basis used for determining prices. (Transcript, March 9, p. 19578). A company official testified in the Nebraska litigation that as to certain properties no estimates of value whatever had been made prior to the purchases.

It seems clear that what the company was buying was: First, complete monopoly; second, freedom from regulation which operation of the municipal plants imposes; and, third, opportunity for unhampered profiteering.

Pointing out that the prices for municipal plants have been large and arbitrarily fixed, and that regulation is very limited, with the company admittedly fixing its own rates in the smaller towns, Examiner Adams declared that—

It is reasonable to assume that full prices paid for properties have been considered in any valuation of properties used by the company in determining what its small town rates shall be. (Transcript, March 9, pp. 19581 and 19582.)

INSTANCES CITED ARE ONLY EXAMPLES

Mr. President, this, of course, is only a sample. What the Nebraska Power Co. is doing in Nebraska is being done by the subsidiaries of the Power Trust all over the land. I have been giving concrete instances, but they are only examples. They are no worse than is going on everywhere. I could go over the sunny South in the same way and tell of one case, for example, where the Power Trust went to a municipality that owned its own system and offered to pay a price for it. The price was more than it would have cost to rebuild the plant. The voters voted on the proposal and turned it down. Hardly had the result of the election been announced when the Power Trust came forward with another proposal and a higher offer, and another election was called. The offer was turned down again. Then within a reasonable time after that happened they came forward with a third offer, in which they offered really three or four times more than the plant was worth; and the people voted to sell it. Every time they made a higher offer they got a few more votes, and they kept on until they got their offer so high that the people felt they could not refuse to sell.

What does it mean? It means monopoly. It means they do not want a municipally owned plant that will stand out as a yardstick. They do not want that known or shown any more than they want the discussion to take place in the Senate of the United States in regard to their great propaganda program which they have carried on for the last six or seven years. They will do whatever necessary to accomplish their end. It is the plant they want. They want to prevent such a municipally owned plant from showing to the people what can be done by a municipally owned and properly operated plant. They are afraid of the new yardstick. They have a monopoly and are willing to spend millions to keep it, but the money they spend is not theirs. It is collected in pennies from God's poor.

Mr. LONG. Mr. President, will the Senator yield again? I am really sorry to interrupt the Senator.

The PRESIDENT pro tempore. Does the Senator from Nebraska yield to the Senator from Louisiana?

Mr. NORRIS. I yield.

Mr. LONG. The very vicious attitude which the Power Trust has shown against Governor Roosevelt is one which some of us can not understand. Does the Senator attribute it to the position he has taken with reference to the ownership of power companies in the State of New York?

Mr. NORRIS. They will take that position against anyone. Let anyone say he is in favor of municipal ownership and he is a marked man so far as the Power Trust is concerned, and it does not make any difference whether he is a candidate for President of the United States or whether he is a candidate for the office of assessor in a country precinct. They are the kind the Power Trust want to defeat. Whenever anyone says or does anything officially or privately that conflicts with their interest and their wishes he is a marked man and he must get on his knees and beg for forgiveness and show by his action that he is willing to be their slave before they will look upon him with favor.

WHEN WILL THE PEOPLE TAKE ACTION?

Mr. President, although I have consumed a good deal of the time of the Senate, nevertheless I have only given the Senate a glimpse at certain spots in the United States, just a glimpse. I could cover the whole country and disclose the same things practically everywhere. Remember, too, as I said in the beginning, that this investigation is only partially finished. God only knows what the future has in store, Mr. President; but if the American people are to be trampled down into the earth by this greatest human monopoly that was ever put together in the history of civilization, I am not willing to say what the result may be. Here in this year of depression, when nearly everyone is suffering, when millions are starving for something to eat, hundreds of thousands of women and children are without suitable clothing to wear, this great trust marches on and on, making its profit on a necessity of human life, and then says to us, and it has the influence to carry out what it says, "You dare not tax us, but you may tax the little fellow."

Some day, Mr. President, the people of the United States, it seems to me, will realize that this great octopus, this greedy monopoly, living on the pennies which are contributed by God's poor, stealing out of the school children's hands the pennies given to them by their parents, going into every home, into every little town, and taking their toll from the toil and sweat of millions of our people in order that they may debauch the very people they rob, presents a picture that ought to cause every man to raise his voice in condemnation of such an unholy, such a wicked, such an indefensible thing.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Haltigan, one of its clerks, announced that the House had passed a bill (H. R. 12946) to relieve destitution, to broaden the lending powers of the Reconstruction Finance Corporation, and to create employment by providing for and expediting a public-works program, in which it requested the concurrence of the Senate.

CHANGE IN THE DATE OF INAUGURATION

The VICE PRESIDENT laid before the Senate a letter from the Governor of Louisiana, together with a concurrent resolution of the Legislature of the State of Louisiana, relative to the proposed amendment to the Constitution of the United States fixing the terms of President and Vice President and Members of Congress and fixing the time of the assembling of Congress, which were ordered to lie on the table and to be printed in the RECORD, as follows:

STATE OF LOUISIANA,
EXECUTIVE DEPARTMENT,
Baton Rouge, July 5, 1932.

Hon. CHARLES CURTIS,
Vice President of the United States,
United States Senate, Washington, D. C.

DEAR SIR: I have the honor to transmit herewith a duplicate original of Senate Concurrent Resolution No. 2, adopted by the Louisiana Legislature at its present session.

Yours very truly,

OSCAR K. ALLEN, *Governor.*

Senate Concurrent Resolution No. 2, relative to the proposed amendment to the Constitution of the United States fixing the commencement of the terms of President and Vice President and Members of Congress and fixing the time of the assembling of Congress. (By Mr. Peltier)

1. Whereas at the first session of the Seventy-second Congress of the United States of America it was resolved by the Senate and House of Representatives of the United States in Congress assembled (two-thirds of each House concurring therein) that the following article be proposed as an amendment to the Constitution of the United States, which, when ratified by the legislatures of three-fourths of the several States, shall be valid to all intents and purposes as part of the Constitution, viz:

"ARTICLE —

"SECTION 1. The terms of the President and Vice President shall end at noon on the 20th day of January and the terms of Senators and Representatives at noon on the 3d day of January of the years in which such terms would have ended if this article had not been ratified, and the terms of their successors shall then begin.

"SEC. 2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 3d day of January, unless they shall by law appoint a different day.

"SEC. 3. If, at the time fixed for the beginning of the term of the President, the President elect shall have died, the Vice President elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term or if the President elect shall have failed to qualify, then the Vice President elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case wherein neither a President elect nor a Vice President elect shall have qualified, declaring who shall then act as President or the manner in which one who is to act shall be selected, and such person shall act accordingly until a President or Vice President shall have qualified.

"SEC. 4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them and for the case of the death of any of the persons from whom the Senate may choose a Vice President whenever the right of choice shall have devolved upon them.

"SEC. 5. Sections 1 and 2 shall take effect on the 15th day of October following the ratification of this article.

"SEC. 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission": Therefore be it

Resolved by the Legislature of the State of Louisiana, That the foregoing amendment to the Constitution of the United States of America be, and the same is hereby, ratified to all intents and purposes as a part of the Constitution of the United States.

2. That the Governor of the State of Louisiana is hereby requested to forward to the Secretary of State and to the presiding officer of the United States Senate and to the Speaker of the House of Representatives of the United States an authentic copy of the foregoing resolution. The clerk of the house and secretary of the senate are hereby instructed to send to the governor a certified copy of the action of the House and Senate on this resolution.

JNO. B. FOURNET,
Lieutenant Governor and President of the Senate.
ALLEN CLAUDER,
Speaker of the House of Representatives.

Approved, July 4, 1932, 8.45 p. m.

OSCAR K. ALLEN,
Governor of the State of Louisiana.

TAX ON FUTURE COMMODITY TRANSACTIONS

The VICE PRESIDENT laid before the Senate a telegram from Thomas Y. Wichkam, chairman of the Grain Committee on National Affairs, Chicago, Ill., which was referred to the Committee on Finance and ordered to be printed in the RECORD, as follows:

CHICAGO, ILL., *July 11, 1932.*

Vice President CHARLES CURTIS,
President of the United States Senate:

A grave situation has developed as a result of the utterly prohibitive tax of 5 cents on each $100 value of future commodity transactions. This tax is a 400 per cent increase. The Purnell bill (H. R. 12886), which has the approval of major farm organizations, the Department of Agriculture, bankers, and the Nation's marketing institutions would put this tax back at 2 cents, still a 100 per cent increase. Genuine alarm prevails through agriculture and the agricultural trades that the startling restriction of markets may make it impossible to absorb the new incoming crops. The commodity exchanges of this country, being prevailed upon by the producers everywhere to aid in the situation, wish to advise those in authority that unless the Purnell bill, now in the House Ways and Means Committee, is enacted before Congress adjourns that there is real danger that during the heavy crop-movement period the weight of hedges may prove too great for the markets. As an agricultural emergency relief measure, we can not too strongly urge the necessity of reducing this tax to a level that will not paralyze the movement of commodities and state that an adjournment of Congress without such action can only be construed as utterly disregarding the welfare of agriculture in this pressing emergency.

GRAIN COMMITTEE ON NATIONAL AFFAIRS,
THOMAS Y. WICHKAM, *Chairman.*

Representing: Buffalo Corn Exchange, Chicago Board of Trade, Duluth Board of Trade, Kansas City Board of Trade, Milwaukee Grain & Stock Exchange, Minneapolis Chamber of Commerce, New York Produce Exchange, Omaha Grain Exchange, St. Louis Merchants Exchange, Grain and Feed Dealers National Association, Chicago Livestock Exchange, Chicago Mercantile Exchange, and New York Cotton Exchange.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the petition of Edward Melve, of Sellersville, Pa., praying for a congressional investigation to determine who was the first conceiver (the inventor) of the wireless telephone invention, etc., which, with the accompanying papers, was referred to the Committee on Patents.

He also laid before the Senate memorials, and papers in the nature of memorials, from sundry citizens and organizations of the States of Massachusetts, Michigan, Minnesota, Ohio, Pennsylvania, Washington, and Wisconsin, remonstrating against the passage of the so-called Dies bill, being the bill (H. R. 12044) to provide for the exclusion and expulsion of alien communists, which were ordered to lie on the table.

Mr. SHEPPARD presented a resolution adopted by the First Mexican Christian Church of San Benito, Tex., representing 50 people, opposing the resubmission of the eighteenth amendment of the Constitution, and favoring the making of adequate appropriations for law enforcement and education in law observance, which was referred to the Committee on the Judiciary.

Mr. ASHURST presented a telegram from A. H. Strasser, Tucson, Ariz., which was ordered to lie on the table and to be printed in the RECORD, as follows:

TUCSON, ARIZ., *July 13, 1932.*

Hon. HENRY F. ASHURST,
United States Senate, Washington, D. C.:

It is the earnest plea of the trainmen in this State that you gentlemen use your influence to prevent Congress from adjourning until the Costigan-LaGuardia bill "to provide emergency financing facilities for unemployment workers, to relieve their distress, to increase their purchasing power and employment, and for other purposes," is passed and signed by the President.

A. H. STRASSER.

THE BANKRUPTCY LAW

Mr. COOLIDGE. Mr. President, I ask unanimous consent to have printed in the RECORD and appropriately referred a copy of a report by the New Bedford Bar Association of New Bedford, Mass., relative to the contemplated changes in the present Federal bankruptcy act contained in the new bankruptcy bill now under consideration by committees of the Senate and House of Representatives, and a copy of the resolution adopted by the New Bedford Bar Association.

There being no objection, the matter was referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

NEW BEDFORD BAR ASSOCIATION,
New Bedford, Mass.

GENTLEMEN: We, the committee of the New Bedford Bar Association appointed to study the contemplated changes in the present Federal bankruptcy act contained in the new bankruptcy bill now under consideration by committees of the Senate and House of Representatives, report as follows:

The proposed legislation, unless radically amended, should not have the association's approval, for, in our opinion, it has left unimproved many things that ought to be amended and improved and has incorporated many features which are either impractical or dangerous innovations.

We object specifically to the provisions of the new bill which authorize the Attorney General to appoint a number of administrators, not exceeding 10, at salaries not to exceed $7,500 each, and also a number of examiners who are subject to civil service at salaries not to exceed $4,000 each. We believe this to be an unwise extension of the present tendency of the Government toward multiplication of bureaus and bureaucratic control, with the attendant increase of expense, without holding forth any real hope or promise of improvement in the present system. We approve the provisions of the proposed legislation which require the referees to devote their time exclusively to their duties as such, and which enlarge their jurisdiction. We submit that if the new act should charge the referee with the duty of supervising in greater detail the administration of estates the necessity not only for administrators and examiners, but also for authorized trustees, would be obviated and there would be less division of responsibility.

Your committee is of the opinion that the provisions regarding suspended discharges can not be made to work effectively. We agree that many of the evils existing under the present law arise as a result of the inadequate provisions regarding discharges, but we believe that this situation can be remedied by amendments: (a) Which would place upon the bankrupt the complete burden of proving his right to a discharge rather than upon his creditors to prove that he is not entitled to it; (b) which would shorten the period within which a bankrupt is entitled to apply for his discharge; (c) which would allow the expense of objecting to a discharge to be paid by the estate.

Your committee does not approve in its present form the provision pertaining to assignments for the reason that the act gives to assignments the protection of the bankruptcy court without requiring the estate to be administered under the supervision of the court.

The committee therefore recommends the adoption of the following resolution:

"*Be it resolved*, That the New Bedford Bar Association, through its council, adopts the report of its committee appointed to study the proposed bankruptcy act and for the reasons contained in said report records its disapproval of the passage of the bill in its present form; and

"*Resolved further*, That we request that action on said bill should be delayed until the next session of Congress in order that opportunity may be had for further study of the proposed legislation in the light of the objections raised throughout the country."

SOLOMON ROSENBERG,
WM. B. PERRY, Jr.,
SAMUEL BARNET,
WILLIAM S. DOWNEY,
Committee.
FISHER ABRAMSON,
Chairman.

FARM RELIEF

Mr. CAPPER. Mr. President, I ask unanimous consent to have printed in the RECORD three addresses delivered July 9 by farm leaders of national standing. The first is by Edward A. O'Neal, president of the American Farm Bureau Federation; the second by Charles E. Hearst, vice president of the American Farm Bureau Federation; the third by Earl C. Smith, president of the Illinois Agricultural Association.

I hope every Senator will read these three addresses. In the main I agree with the statements made by these three farm leaders.

This session of Congress has been a busy one; it has faced a most serious situation; it has struggled earnestly to enact emergency relief legislation. But, Mr. President, this Congress has not done its duty. It has refused to deal with fundamentals. It has ignored what seems to me to be a plain fact, that unless and until agriculture is placed in position where the farmer as a whole can receive the cost of production for his products there can be no real relief; there can be no return of employment.

Wages are paid, in the last analysis, by basic commodities. The basic commodity-price level is too low. It is too low not so much because of surpluses as because our monetary system has broken down.

Mr. President, when these farm leaders plead for the passage of the Goldsborough bill to stabilize the purchasing power of the dollar, they are pleading not only for agriculture but for labor, for industry, for business generally. They are pleading for an honest dollar for the benefit of 90 per cent of the people of this country.

The Federal reserve system should be managed in the interest of the 90 per cent who are producers; not in the interest of the small percentage of the population who are primarily dealers in money.

The plea of these leaders for the enactment of the Norbeck bill, as an emergency measure to force higher prices for wheat, cotton, and hogs, should be heeded by this Congress.

I ask that these addresses be printed for the information of the country and the guidance of Congress.

The VICE PRESIDENT. Without objection, the addresses will be printed in the RECORD.

The matter referred to is as follows:

RADIO ADDRESS OF EDWARD A. O'NEAL, PRESIDENT AMERICAN FARM BUREAU FEDERATION, SATURDAY, JULY 9, 1932, WASHINGTON, D. C.

My friends, we are here in Washington, once more, in a final appeal to Congress to come to the rescue of agriculture; once more to demand that Congress not adjourn until it does something fundamental for the relief of agriculture and the Nation.

If this Congress adjourns without doing something effective to save agriculture, then next fall we, too, must cry out, like the prophet of old—

"The summer is ended; the harvest is past; and we are not saved."

But then it will be too late for Congress to repent of its folly that means that farmers would have to go through another year without relief.

How can they do that under present conditions, without unparalleled suffering and distress which may shake to its very foundation our whole economic structure?

Since I talked to you during the Farm Bureau party-line hour, a month ago, a new low record for farm prices has been recorded by the United States Department of Agriculture. Then its latest report showed that the index of farm prices was 56 per cent of the pre-war level; a record low. Since then, the index of farm prices has dropped to 52, the lowest point on record in this country.

It is reported that one of the largest wheat growers in the United States, who is harvesting 500,000 bushels, is receiving but 16 cents per bushel on board the cars, which will leave him but 8 cents after paying freight and commission charges. Cotton has reached the lowest level of prices in its history, and when harvest season comes, what will happen? The producer will not be able to sell some of it at all at any price unless something is done. The prices of wheat and cotton affect the prices of all other basic farm products. With half the Nation unable to pay its debts, its taxes, and its interest, and without money to buy the products of industry, then it must be evident that the welfare of the Nation is at stake in the restoration of farm prices. There are millions of people needing food and clothing, yet this is the condition. Senator BORAH said in the Senate yesterday, there is "no escape from chaos unless the Government stays the fall of commodity prices."

How can farmers exist on such price levels? How can they pay their taxes, maintain their schools and churches, pay the interest on their mortgages and other debts, and save their homes, on such prices? How can they buy the necessities of life for their families? How can our agriculture exist on such prices without being degraded to the level of peasantry?

Yet Congress and the administration, with the power to act to relieve this situation in a far-reaching and effective way, thus far have done nothing fundamental to remedy it. They seem to be concerned mainly with helping the railroads, the banks, the corporations, and the unemployed in the cities, forgetting that there can be no permanent recovery in this country until we start at the bottom and rescue agriculture, the basic industry of this Nation.

The bill to give a moratorium to foreign war debts was passed and signed within 6 days; the Reconstruction Finance Corporation act for the relief of the railroads, banks, and other corporations was passed and signed within 13 days; the Glass-Steagall bill for the further relief of the banks was passed and signed in 12 days; but agriculture has waited in vain for more than 7 months—more than 200 days—for some action on the constructive program of agricultural relief which we presented to Congress when it opened early last December.

Let me review for you briefly the record of this Congress and you be the judge of whether it has given agriculture a fair deal. I want to give Congress full credit for the little which it has done for agriculture.

The House passed the Goldsborough bill by a big majority, but the reactionary interests in the Senate thus far have blocked us. The tax bill in the main was fair to agriculture, although containing some unduly burdensome items. Our greatest victory, the defeat of the Federal sales tax, was a fundamental victory, a victory against the leadership in both great parties, a victory that was made possible because agriculture and labor, throughout the Nation, rose up in rebellion against it. Several minor credit measures were passed, which will be of some help to agriculture, but nothing has been done to raise the prices of farm products, so the farmers can pay their debts.

The Reconstruction Finance Corporation act and the proposed Garner-Wagner bill amending that act, if finally enacted, allocate to agriculture less than 5 per cent of the stupendous sum of over $4,000,000,000 of public funds appropriated for relief purposes. The big interests have again defeated us in our efforts to control speculation in the marketing of our crops. In our fight for the equalization-fee principle, both Agricultural Committees, after long delay, reported our bill to the Senate and the House, but thus far the House has taken no action, and the Senate recommitted the bill to the committee.

Truly this is a poor record for Congress and the administration. Strange to say, we have been defeated to a large extent by the supposed friends of agriculture—those who ought to have been for us and for our program.

When the 3-way farm bill amending the marketing act was before the Senate, the motion to recommit was made by a Senator from a farm State, and 23 of the 38 votes for recommittal were Senators from predominantly farm States. Had only 5 of these 23 Senators voted against recommittal, our bill would have been saved. We might have had action on it this session. Now it will have to go over until the short session next December, unless Congress is held in session. Most of those who spoke on the floor of the Senate against various phases of our bill were from predominantly farm States—men who ought to have been with us.

In spite of these discouragements, we are fighting on. In the latter days of this session, seeing the danger of no legislation as a result of the long procrastination of Congress, we brought forward an emergency measure, sponsored in the House by Congressman RAINEY, and in the Senate by Senator NORBECK—a measure of an emergency character to tide over our farmers until something more permanent and more fundamental can be passed. It displaces in no way our fight for the equalization-fee principle. We are also making a final desperate effort to obtain action upon the Goldsborough bill for an honest dollar. But few hours are left of this session. Urge your Congressmen and Senators to get in quick action.

Our proposal for allocating Reconstruction Finance Corporation funds for financing the exports of farm surpluses has been included in the conference report on the Garner-Wagner relief bill and will become effective if that is finally enacted into law. This will be most helpful in removing the burden of accumulated surpluses.

I want to say right here that agriculture still has some stalwart friends in Congress—men who are sincere and loyal friends of the farmers, men who have labored earnestly and faithfully here during the past seven months trying to get something fundamental done for agriculture. The blame for Congress's inaction should not be laid upon them. But I am sorry to say there are many others who ought to have been with us and working for our program who have either openly fought our program or who have injured it by their indifference and inaction.

Since I talked to you a month ago, we submitted to the two great national parties our recommendations of fundamental principles for agriculture and the Nation. They gave us courteous hearings and several of our recommendations were adopted in the party platforms. I prefer to reserve an analysis of the platform until they are interpreted by the nominees whose duties are to interpret and carry out the platforms.

But I could not but be appalled and saddened by the fact that at neither of these national conventions, during the sessions which I attended, was there any delegate who stood up on the floor of the convention during the consideration of the platforms to raise his voice in behalf of distressed agriculture and plead her cause although a great many of the delegates had been elected to represent farm States where their farmers were faced with utter ruin.

On the Fourth of July, farmers in more than 10,000 communities throughout the nation, under the leadership of the American Farm Bureau Federation, assembled themselves together in Independence Day picnics in honor of George Washington and rededicated themselves anew to the ideals for which Washington stood.

On that day was sounded a call to the farmers of America to rally together for the preservation of American agriculture as the basic industry of this country. I declared war on the forces of economic greed and selfishness who have dominated this country too long, and who are unwilling that industry and agriculture shall have an honest dollar, who are unwilling that the farmers who produce the basic wealth of this Nation shall have a fair share of the consumer's dollar, a fair share of the national income. I declared war upon the unfaithful legislators and public officials who are willing to vote relief for all other industries but allow agriculture, our basic industry, to sink into ruin. I asked for 10,000,000 volunteers to help me in this struggle for economic freedom and equality for agriculture—a struggle not of violence but of ballots.

The time has come when we must assert ourselves in no uncertain terms. We must elect those who are true friends of agriculture, those who will pledge themselves to carry out our program. I ask your help. I ask you to join with us in this struggle. Let us find out who are our friends and who are not; who are for us and who are against us. Demand of your candidates for public office that they declare themselves on these great principles for which we are standing. Demand that they pledge themselves to support this program for the rehabilitation of agriculture. If they refuse, then give them your answer at the ballot box next November.

We can not win this struggle unless we are united, because our enemies are powerful and numerous. They have vast financial resources and powerful political connections. But if the farmers of America will stand together as one, we will win.

Agriculture must lead the way to the economic recovery of the Nation. It was the deflation of agriculture and the curtailment of her buying power which, more than any other one single factor, wrecked the prosperity of this Nation and brought us to the sad conditions in which we find ourselves to-day.

Why are the factories closed and their employees walking the streets vainly searching for work while their families subsist upon a meager public charity? Why are the great office buildings in New York, Chicago, and our other great cities desolated with deserted offices? Why are the banks failing, factories closing, and business stagnating? Because the buying power of nearly one-half of the population of this country, dependent upon agriculture, has been drying up for more than a decade. You can not cut off the buying power of more than 53,000,000 people without profound disaster to the entire Nation. Many of the greatest business executives of this country with whom I have talked recently now freely concede these facts.

Our great industrial and commercial structure collapsed because its foundation was undermined. We must build anew our economic structure so that such catastrophes as this will not occur. We must build a structure of agriculture, business, and industry founded upon a sound foundation. The chief corner stone of this foundation must be cooperation, equality of opportunity to all—the assurance of a fair share of the national income to each group in our Nation. Too long have we permitted the few to exploit the many. Too long have we allowed those who control the capital wealth of this country to take the major share of the profits, while the farmers who produce the basic wealth of the Nation and the laborers who contribute of their toil take the crumbs that are left.

Such conditions must not be again. After the close of the World War, when the body of the unknown soldier was being laid to rest in Arlington National Cemetery amid impressive rites, and the Nation stood with bowed head, silent in grief because of the loss of millions of heroes, the flower of its manhood, the President voiced the sentiment of a war-torn and war-sick world when he fervently declared, "It must not be again." So to-day, as we stand with our heads bowed in sorrow and anguish over the loss of so many homes and fortunes, when we survey the anguish and suffering, the human misery of the world growing out of this depression, we, too, feel constrained to send up a solemn resolve, "It must not be again."

The economic effect of this deflation is much worse than that war. The war cost thirty-five billions, but this cost about $200,000,000,000.

May God hasten the day when our Nation shall be freed from greed and selfishness and when the principles of cooperation and economic justice to all shall prevail. I appeal to you of the city, town, and country, to join with us in the Farm Bureau in this great undertaking.

RADIO ADDRESS OF CHARLES E. HEARST, VICE PRESIDENT AMERICAN FARM BUREAU FEDERATION, SATURDAY, JULY 9, 1932, WASHINGTON, D. C.

The Goldsborough bill seeks to provide the Nation with a national monetary policy for the first time in its history. This policy is to provide an honest dollar for agriculture, industry, and trade, a dollar that is stable in value, a dollar that measures the true exchange value of commodities instead of measuring only the supply and demand for gold.

Congress has never fulfilled the obligation imposed upon it by the Constitution of the United States. The Constitution directed the Congress to provide a stable currency. Any dollar which fluctuates in value from 64 cents one year to $1.61 in another year is dishonest. Is there any stability of values when such fluctuations are permitted? The fluctuation in the value of the dollar since 1929 measured in commodity prices makes the debtor who borrowed $100 in 1929 pay back $202 to-day. Is there any justice in such a monetary standard?

The Goldsborough bill seeks to remedy this injustice by restoring to normal the purchasing power of the dollar and stabilizing its value at a fair level.

It declares the national monetary policy of the United States is to restore the purchasing power of the dollar to the average of the period 1921 to 1929, inclusive, and to maintain its purchasing power at that level. This to be accomplished by controlling the volume of credit and currency. The Federal Reserve Board, the Federal reserve banks, and the Secretary of the Treasury are charged with the duty of making effective this policy.

They already have the power to expand and contract the volume of credit and to expand and contract the volume of currency, but heretofore these powers have not been directed toward a basic national policy but have been subject to the individual opinions and wishes of these officials and influenced by the demands of various groups. The result has been that we have had a vacillating policy of inflation and deflation, with disastrous consequences to the whole Nation.

The House passed the Goldsborough bill by the overwhelming vote of 289 to 60. When the bill went over to the Senate the Committee on Banking and Currency sidetracked it by substituting a proposal sponsored by Senator GLASS, of Virginia. The Glass proposal is a mere makeshift, which does not go to the root of the trouble, but was offered, according to the Senator's own published statement, for the purpose of stopping the Goldsborough bill. His proposal allows the national banks to issue currency on the basis of Government bonds owned by them. It is estimated that a maximum of about $1,000,000,000 in additional currency could be issued under the Glass proposal. This might do temporary good, but obviously it does not go to the base of the problem. It prescribes no policy to guide the extent to which this currency shall be issued; each bank can do as it pleases in this regard. It establishes no national monetary policy. It does nothing to prevent the recurrence of these periodic inflations and deflations. It utilizes only one method of expansion of the currency, a method which is rather expensive, costing the people about $40,000,000 to issue it, if the maximum amount is issued. It is obvious that this proposal is a banker's bill and not one which will bring its first benefits to our citizens.

The Glass substitute is now pending before the Senate. The session of Congress apparently is drawing rapidly to a close. Despite our repeated insistence, no action has been taken by the Senate on the Goldsborough bill. Many Senators would like to vote for it, but have not been given an opportunity because of the action of the committee in substituting the Glass proposal.

Obviously if this type of legislation is to be secured there must be prompt action on the part of the Senate. In order to get something done before adjournment our friends in the Senate are trying to get action on the Glass substitute—if necessary, pass it through the Senate, in order to get the two measures in conference between the two Houses, at which time there is hope that a satisfactory compromise can be agreed upon which will receive the approval of both Houses. That is what we are hoping and working for now. We are demanding that something be done now before adjournment and before the whole Nation is ruined by the onward march of the deflation.

This Congress has done but little for agriculture, despite the valiant efforts of some of our stanch friends in Congress. It has passed a lot of so-called relief measures, but few of their benefits have percolated down to the farmers and the masses of the people. Little fundamentally has been done to correct the economic catastrophe which threatens to overwhelm us. "Credit" has been the magic key with which this Congress and this administration has sought to solve all our economic ills. Credit has been the panacea for all evils which beset us. A foreign government has been given a moratorium, the banks, railroads, insurance companies, and other corporations have been doled out credit through the Reconstruction Finance Corporation, a small portion of which went to agriculture for limited purposes. Again the banks have been extended further credit facilities through the Glass-Steagall bill. The farmers have been extended a few credit measures.

But still the depression goes on; prices sink lower and lower. The forced liquidation of real estate in city and country continues. Unemployment increases. Industry stagnates, banks fail, agriculture remains prostrate.

The mere extension of credit does not go to the root of our troubles but merely postpones for a time the evil day. Soon it is necessary to come back again and ask for more credit to postpone it still longer, and thus the process continues until final ruin overtakes many, while the strongest are able to survive only with heavy losses.

Something more fundamental must be done than to extend credit. We must strike at the root of the evil—the deflation of our prices to their present ruinous levels. Something must be done to restore the commodity-price level, so debts can be repaid, so the farmers' purchasing power will be restored, so our factories

can reopen and put to work our unemployed. There will be no trouble about balancing the Government Budget when we do something fundamental to balance the citizens' budgets. A restoration of the price level, and not credit, is necessary in order to bring this about.

The Goldsborough bill would give immediate and effective relief not only to agriculture but to industry and to labor by restoring the commodity price to a normal level.

RADIO ADDRESS OF EARL C. SMITH, PRESIDENT ILLINOIS AGRICULTURAL ASSOCIATION, SATURDAY, JULY 9, 1932, WASHINGTON, D. C.

While pleased to avail myself of this opportunity to speak over the National Broadcasting chain, yet, in these crucial hours and days we are passing through, I feel as never before the responsibility one carries who attempts to discuss vital issues of the day. Not only the future welfare of agriculture but the principles of our Government are hanging in the balance. It is, therefore, imperative that the great majority of our citizens who are yet wanting to be fair come to a full understanding as to the cause of the present situation and the forces that are operating to retard recovery" from the present depression.

After 12 years of continued deflation in agriculture, we are witnessing what has long been predicted—the complete collapse of our business and financial structure. Any industry which comprises in large part the sources of new wealth can not long be ignored or neglected without a situation presenting itself such as we have to-day.

Throughout these years agriculture, while only partly organized, has honestly and aggressively presented its problems and remedies at council tables with leaders of the State and Nation. With very few exceptions, the answers to these appeals have been the answers of those in control of the finances of the Nation. Farmers have not been given what they asked for but rather have been given palliatives which were doomed to failure at the outset. These programs have not only failed to revive agriculture but have operated to cause many well-thinking people to believe that legislation is not essential to bring about the stabilization of agriculture and prosperity of farm people.

The present Congress has given practically its entire attention to legislation having for its purpose assistance and relief to the large financial and industrial interests of the Nation.

The basic industry of all, agriculture, has been either neglected or ignored. Recognizing this situation and the fast approaching close of Congress, the American Farm Bureau Federation prepared a very simple, practical emergency measure having for its purpose the immediate price improvement of agriculture's three largest crops—hogs, wheat, and cotton. This measure was introduced in the House by Representative HENRY T. RAINEY, of Illinois, majority leader of the House, and in the Senate by Senator NORBECK, of South Dakota, chairman of the Senate Committee on Banking and Currency. We have appeared before the agricultural committees of both House and Senate in executive session to explain this measure and its purposes. Following these meetings the committees reported the measure to the House and Senate, where they now rest on the calendars. We are insisting that Congress not adjourn until it has taken action on this emergency legislation.

Briefly the measure proposes through the issuance of negotiable certificates to give to the farmer the full benefit of the tariff on that portion of his production needed for domestic consumption. This in addition to the present price he is receiving.

It would increase his present returns by 42 cents a bushel on wheat, 2 cents a pound on hogs, and 5 cents a pound on cotton.

It would not cost the Government Treasury one penny, as all revenue necessary to absorb the increased returns to farmers is realized through a tax imposed at the point of processing these commodities.

In practical operation the present channels or system of distribution could and would easily absorb this tax, which is imposed in an amount equal to commodity tariff rates.

On these three commodities alone, nearly 3,000,000 farmers would have an increased cash income of approximately one-half billion dollars within the next year.

Economists tell us that such price improvement on these three basic crops would cause or influence an increase in price levels of other agricultural commodities equal to another $500,000,000.

This legislation has been discussed with many leaders and Members of Congress, several administrators of Government, and many business leaders of national reputation. With hardly an exception they admit this legislation will accomplish what is claimed for it by its authors and sponsors. Practically every thinking person now recognizes that the price improvement of agricultural crops and consequent increased return to farmers is an essential to assist in getting America started out of the present depression.

Raise the price levels of basic farm products, thereby adding $1,000,000,000 to the buying power of agriculture in the next year, and you will again start the wheels of industry, restore jobs to hundreds of thousands of unemployed in the cities, and inspire the whole country with a new confidence and hope for the future.

With such admitted facts it would seem inconceivable, nevertheless it is true that Congress is fast approaching adjournment and yet addresses its attention to relief legislation which is almost totally confined to further relief for large industrial, commercial, and banking institutions.

If agriculture is to receive proper attention in this emergency, farmers of the Nation must rise up and immediately demand that their representatives in Congress actively participate in the movement to block adjournment of Congress until this or other equally effective emergency legislation is enacted into law.

Surely Congress will assume a grave responsibility if it adjourns without action upon proper and effective measures necessary to assist farmers in getting to their feet, and allows the ruinous condition now confronting farmers to longer continue in their destructive effects, not only upon agriculture but upon the Nation.

ENROLLED BILL PRESENTED

Mr. VANDENBERG (for Mr. WATERMAN), from the Committee on Enrolled Bills, reported that on to-day, July 14, 1932, that committee presented to the President of the United States the enrolled bill (S. 3276) to amend the act entitled "An act to promote the production of sulphur upon the public domain within the State of Louisiana," approved April 17, 1926.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. McNARY:

A bill (S. 4975) granting a pension to Lemuel T. Wilson (with accompanying papers); to the Committee on Pensions.

By Mr. McKELLAR:

A bill (S. 4976) granting the consent of Congress to the Highway Department of the State of Tennessee to construct a bridge across the South Fork, Forked Deer River, on the Milan-Brownsville Road, State Highway No. 76, near the Haywood-Crockett County line, Tenn.; to the Committee on Commerce.

By Mr. STEPHENS:

A bill (S. 4977) for the relief of certain Mississippi Choctaw Indians; to the Committee on Claims.

By Mr. JOHNSON:

A bill (S. 4978) granting a pension to Alfred Call, jr. (with accompanying papers); to the Committee on Pensions.

By Mr. FRAZIER:

A bill (S. 4979) providing for advances to unemployed veterans on their adjusted-service certificates, and for other purposes; to the Committee on Finance.

SIX-HOUR DAY FOR EMPLOYEES OF CARRIERS

Mr. PITTMAN. Mr. President, I desire to introduce a bill, and ask for its reference to the Committee on Interstate Commerce. I know there will be no action on it now, but I want to have it available for study during the adjournment.

The bill (S. 4980) to establish a 6-hour day for employees of carriers engaged in interstate and foreign commerce, and for other purposes, was read twice by its title and referred to the Committee on Interstate Commerce.

By Mr. HOWELL:

A joint resolution (S. J. Res. 204) to provide transportation and travel subsistence to World War veterans temporarily quartered in the District of Columbia; to the Committee on Appropriations.

CLAIM OF MISSISSIPPI CHOCTAW INDIANS

Mr. STEPHENS submitted the following resolution (S. Res. 275), which was referred to the Committee on Claims:

Resolved, That the bill (S. 4977) entitled "A bill for the relief of certain Mississippi Choctaw Indians," now pending in the Senate, together with all the accompanying papers, be, and the same is hereby, referred to the Court of Claims, in pursuance of the provisions of an act entitled "An act to codify, revise, and amend the laws relating to the judiciary," approved March 3, 1911; and the said court shall proceed with the same in accordance with the provisions of such act and report to the Senate in accordance therewith.

AGRICULTURAL RELIEF

Mr. BINGHAM. Mr. President, I desire to enter a motion to reconsider the vote on the passage of the bill (S. 4940) to provide temporary aid to agriculture for the relief of the existing national economic emergency. Also I make the motion provided by the rule that the House be requested to return the bill to the Senate.

The PRESIDING OFFICER (Mr. PATTERSON in the chair). The question is on agreeing to the motion of the Senator from Connecticut.

Mr. LA FOLLETTE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Fletcher	La Follette	Schall
Austin	Frazier	Lewis	Sheppard
Bailey	George	Long	Shipstead
Barbour	Glenn	McKellar	Shortridge
Barkley	Goldsborough	McNary	Smoot
Bingham	Gore	Metcalf	Steiwer
Blaine	Hale	Morrison	Stephens
Borah	Hastings	Moses	Thomas, Idaho
Bulkley	Hatfield	Neely	Townsend
Bulow	Hayden	Norbeck	Trammell
Byrnes	Hebert	Norris	Tydings
Capper	Howell	Nye	Vandenberg
Cohen	Johnson	Patterson	Wagner
Connally	Jones	Pittman	Walcott
Costigan	Kean	Reed	Walsh, Mass.
Couzens	Keyes	Robinson, Ark.	Watson
Davis	King	Robinson, Ind.	White

The VICE PRESIDENT. Sixty-eight Senators have answered to their names. A quorum is present. The question is on the motion of the Senator from Connecticut that the House be requested to return the bill S. 4940 to the Senate.

Mr. NORBECK. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. NORBECK. Is this a motion to reconsider the vote by which the bill was passed.

The VICE PRESIDENT. It is a request to return the papers.

Mr. NORBECK. But for what purpose? Is the purpose stated?

The VICE PRESIDENT. It is a part of the motion entered to reconsider the vote by which the bill was passed.

Mr. NORBECK. Is the motion debatable?

The VICE PRESIDENT. It is not. The question is on the motion of the Senator from Connecticut.

Mr. BINGHAM. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. JONES (when his name was called). I have a general pair with the senior Senator from Virginia [Mr. SWANSON]. I am advised that he would vote as I intend to vote. Therefore I feel at liberty to vote and vote "nay."

Mr. KING (when his name was called). I have a general pair with the junior Senator from New Mexico [Mr. CUTTING]. I transfer that pair to the junior Senator from Massachusetts [Mr. COOLIDGE], and will vote. I vote "yea."

Mr. MCNARY (when his name was called). On this vote I have a pair with the senior Senator from Mississippi [Mr. HARRISON]. Not knowing how he would vote, I withhold my vote. If permitted to vote, I should vote "nay."

Mr. SCHALL (when his name was called). I have a general pair with the senior Senator from Oklahoma [Mr. THOMAS]. I understand that he would vote as I intend to vote. I therefore feel at liberty to vote and vote "nay."

Mr. SHORTRIDGE (when his name was called). Reannouncing my general pair with the senior Senator from Montana [Mr. WALSH], and not knowing his views on this question, I may not vote. If permitted to vote, I should vote "nay."

Mr. STEIWER (when his name was called). On this question I have a pair with the senior Senator from New Mexico [Mr. BRATTON]. In his absence I withhold my vote. If permitted to vote, I should vote "nay."

Mr. THOMAS of Idaho (when his name was called). I have a general pair with the junior Senator from Montana [Mr. WHEELER]. Not knowing how he would vote, I withhold my vote. If permitted to vote, I should vote "nay."

Mr. WATSON (when his name was called). In the absence of my general pair, the senior Senator from South Carolina [Mr. SMITH], and not knowing how he would vote, I withhold my vote.

The roll call was concluded.

Mr. GLENN. I have a general pair for the remainder of the session with the junior Senator from Washington [Mr. DILL], who is necessarily absent, and, therefore, I withhold my vote.

Mr. DAVIS. I have a general pair with the junior Senator from Kentucky [Mr. LOGAN]. Not knowing how he would vote, I withhold my vote.

Mr. BLAINE. I have a general pair with the junior Senator from Kansas [Mr. MCGILL], and therefore withhold my vote.

Mr. BINGHAM (after having voted in the affirmative). On account of my general pair with the junior Senator from Virginia [Mr. GLASS], who is necessarily absent, and being unable to obtain a transfer, I withdraw my vote.

Mr. BULKLEY. I am paired with the junior Senator from Wyoming [Mr. CAREY], who is absent. Not knowing how he would vote, I withhold my vote. If at liberty to vote, I should vote "yea."

Mr. MCNARY. I wish to announce the following general pairs:

The Senator from Ohio [Mr. FESS] with the Senator from New York [Mr. COPELAND];

The Senator from Nevada [Mr. ODDIE] with the Senator from Arkansas [Mrs. CARAWAY];

The Senator from Vermont [Mr. DALE] with the Senator from Alabama [Mr. BANKHEAD];

The Senator from Iowa [Br. BROOKHART] with the Senator from Missouri [Mr. HAWES];

The Senator from Colorado [Mr. WATERMAN] with the Senator from Tennessee [Mr. HULL]; and

The Senator from Iowa [Mr. DICKINSON] with the Senator from Kentucky [Mr. BARKLEY].

The result was announced—yeas 30, nays 25, as follows:

YEAS—30

Ashurst	Gore	Metcalf	Tydings
Bailey	Hale	Morrison	Vandenberg
Barbour	Hastings	Moses	Wagner
Byrnes	Hebert	Patterson	Walcott
Cohen	Kean	Reed	Walsh, Mass.
Couzens	Keyes	Smoot	White
George	King	Stephens	
Goldsborough	Long	Townsend	

NAYS—25

Austin	Hatfield	Neely	Schall
Bulow	Howell	Norbeck	Sheppard
Capper	Johnson	Norris	Shipstead
Connally	Jones	Nye	Trammell
Costigan	La Follette	Pittman	
Fletcher	Lewis	Robinson, Ark.	
Frazier	McKellar	Robinson, Ind.	

NOT VOTING—41

Bankhead	Carey	Harrison	Steiwer
Barkley	Coolidge	Hawes	Swanson
Bingham	Copeland	Hayden	Thomas, Idaho
Black	Cutting	Hull	Thomas, Okla.
Blaine	Dale	Kendrick	Walsh, Mont.
Borah	Davis	Logan	Waterman
Bratton	Dickinson	McGill	Watson
Brookhart	Dill	McNary	Wheeler
Broussard	Fess	Oddie	
Bulkley	Glass	Shortridge	
Caraway	Glenn	Smith	

So the House was requested to return the papers.

PAY OF PAGES

The VICE PRESIDENT. The Chair lays before the Senate a joint resolution from the House of Representatives, which will be read.

The joint resolution (H. J. Res. 475) making an appropriation for the payment of pages for the Senate and House of Representatives from July 16 to July 25, 1932, was read the first time by its title and the second time at length, as follows:

Resolved, etc., That there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, so much as may be necessary to provide for the payment of 21 pages for the Senate and 41 pages for the House of Representatives at the rate provided by law from July 16 to July 25, 1932, both dates inclusive.

Mr. JONES. Mr. President, the joint resolution merely extends the time for payment of the pages from July 16 to July 25. It looks as though we are not going to adjourn immediately, and I ask unanimous consent for the immediate consideration of the joint resolution.

Mr. KING. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. KING. Will this request, if agreed to, displace the unfinished business?

The VICE PRESIDENT. It would not.

Mr. KING. If it would, I should object to the consideration of the joint resolution.

The VICE PRESIDENT. Is there objection to the immediate consideration of the joint resolution?

There being no objection, the joint resolution was considered, ordered to a third reading, read the third time, and passed.

ENTRY UNDER BOND OF CERTAIN EXHIBITS

The VICE PRESIDENT laid before the Senate the amendments of the House to the bill (S. 4747), to provide for the entry under bond of exhibits of arts, sciences, and industries, and products of the soil, mine, and sea, which were on page 2, line 20, to strike out all after "date" down to and including "use" in line 24; and on page 3, line 8, after "Treasury," to insert: ": *And provided further*, That all such articles shall, at the expiration of two years, be subject to the impost duty then in force, unless the same shall have been sold or exported from this country prior to that period of time."

Mr. WAGNER. I move that the Senate concur in the House amendments.

The motion was agreed to.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Chaffee, one of its clerks, announced that the House further insisted upon its amendment to the amendment of the Senate No. 1 to the bill (H. R. 9642) to authorize supplemental appropriations for emergency highway construction, with a view to increasing employment, and further insisted upon its disagreement to the amendment of the Senate numbered 2 to the bill.

EMERGENCY UNEMPLOYMENT RELIEF

The PRESIDING OFFICER (Mr. VANDENBERG in the chair) laid before the Senate the action of the House of Representatives further insisting upon its amendment to the amendment of the Senate numbered 1 to the bill (H. R. 9642) to authorize supplemental appropriations for emergency highway construction, with a view to increasing employment, and further insisting upon its disagreement to the amendment of the Senate numbered 2 to the bill.

Mr. ROBINSON of Arkansas. Mr. President, I move that the Senate insist on its disagreement to the amendment of the House to Senate amendment numbered 1, that it further insist upon its amendments numbered 1 and 2, and that it ask a further conference with the House, and that the Chair appoint the conferees on the part of the Senate.

Mr. CONNALLY. Mr. President, what particular amendments are the ones upon which we are asked to insist?

Mr. ROBINSON of Arkansas. The disagreement reported was an entire disagreement.

Mr. GLASS. There is but one amendment.

Mr. CONNALLY. I thought I understood the motion to apply to two amendments.

Mr. ROBINSON of Arkansas. The House made only one amendment to the Senate bill. The conference reported a complete disagreement.

Mr. CONNALLY. The reason for my inquiry is that I had understood the House was insisting on the publicity amendment and that the Senate conferees were resisting it. I do not want to be placed in the position of now voting to insist on disagreeing to the publicity amendment if that is what is holding up agreement on the bill.

Mr. ROBINSON of Arkansas. Actually it is my information that an agreement was in sight upon every subject except the publicity amendment, but the report as made to the House was a complete disagreement.

Mr. CONNALLY. The effect of it is that what the Senate conferees are standing out against is the publicity amendment which was adopted by the House. I, as one Senator, do not want to be placed in the position of blocking all relief legislation because the Senate is unwilling to agree to the publicity amendment placed on the bill by the House.

Mr. ROBINSON of Arkansas. I think it would be in order, if the Senator wishes to do so, to move to instruct the Senate conferees to yield with respect to that subject.

Mr. CONNALLY. I intend to make a parliamentary inquiry about that matter before I shall give up the floor, to ascertain whether that would be in order.

Mr. ROBINSON of Arkansas. I believe I have the floor, but I have done about all I can do with the matter for the present.

The VICE PRESIDENT. The Senator from Texas is recognized.

Mr. CONNALLY. Mr. President, I think the Senate will place itself in a very untenable position if the Senate takes the position that it is going to defeat relief legislation unless the House of Representatives recedes from the amendment providing for publicity with relation to loans to be made by the Reconstruction Finance Corporation. The money which the Reconstruction Finance Corporation is going to loan does not belong to that corporation. It does not belong to Mr. Hoover. It does not belong to Senators. It belongs to the people of the United States. For one, I believe that under proper safeguards, not during the pendency of the loans perhaps, but after the loans are made, the Senate and the country ought to have information as to what the loans are and who are getting the loans. It is public money. The people of the country, according to the information I can get from the country, are just about gorged already with the dishing out of billions of dollars by the Treasury to certain particular favored interests.

Mr. McKELLAR. Mr. President——

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Tennessee?

Mr. CONNALLY. I yield.

Mr. McKELLAR. I want to ask the Senator if the banks which borrow the money do not have to make reports any way to the Comptroller of the Currency and does not every borrowing from the Reconstruction Finance Corporation have to become public anyway?

Mr. CONNALLY. I do not know about the exact character of the reports required to be made to the Comptroller of the Currency.

Mr. ROBINSON of Arkansas. Mr. President——

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Arkansas?

Mr. CONNALLY. I yield.

Mr. ROBINSON of Arkansas. Of course, the Senator understands that I have no objection to the fullest possible publicity. I want to point out that there would be in the bill a provision requiring full publicity as to all loans made under the act, and that we have already passed a resolution creating a special committee of five to investigate all loans made by the Reconstruction Finance Corporation, and that while the investigation could be executive, the committee would have full power to publish any information they obtain. There is also pending a separate resolution of the Senate, being the resolution of the Senator from Nebraska [Mr. NORRIS], which has been presented and discussed to some extent, which would enable the Congress to provide the publicity that is provided for in the House amendment. What I am seeking to avoid is just such condition as arose here a week or two ago, when, on account of a difference, the bill was vetoed.

Mr. CONNALLY. Does the Senator agree with the policy of having the President tell us in advance just what we may pass?

Mr. ROBINSON of Arkansas. Certainly not!

Mr. CONNALLY. Is not that in effect the course we are to follow if we meet the wishes of the White House?

Mr. ROBINSON of Arkansas. Having been advised that the bill would be vetoed if a certain provision was retained——

Mr. CONNALLY. Did the President convey that information by message?

Mr. ROBINSON of Arkansas. Oh, no. I am referring now to the veto that has already occurred in connection with the bill. Having been advised that the veto would be made, I think it would have been the part of wisdom to have modified the bill so as to pass it then. I have no information that the President would veto the bill if the publicity provision were retained in the House amendment.

I have no information that the President would veto this bill if the publicity provision were retained as incorporated in the bill by the House. What I am seeking to say is that

we ought not to get into a deadlock and that if it be true that such a provision would prompt a veto, it would be a mistake to insist upon the retention of that provision in this bill, particularly in view of the publicity provisions that are already in the bill and of the resolution which has already been passed and the fact that we can determine the question of the publicity separately if we desire to do so. In other words, I want to pass this bill. I am weary of controversies that ought to be eliminated or that can be eliminated.

I am perfectly willing that the conferees should take this matter back and reach an agreement. I think they ought to reach an agreement, and I think they will reach an agreement. If the Senator wishes to move to instruct the conferees to yield on the publicity point, we can test out here the sense of the Senate, and I myself will not resist it.

Mr. GLASS. Mr. President, if I may intervene——

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Virginia?

Mr. CONNALLY. I yield.

Mr. GLASS. I have no objection, as one of the conferees, to being instructed.

Mr. CONNALLY. The House has just voted on this proposition again, and reinforced its attitude, and stated that it would not recede from the publicity amendment; and yet Senators here are asking to have another conference, when it is admitted that the only real point of difference is the publicity provision.

I want to say, Mr. President, that I do not approve of the position of Senators finding out in advance just what the White House wants and then insisting on not passing anything except what has been handed down to us with the approval of the White House. It is the duty of the Senate and the duty of the House to enact legislation which meets with our views of soundness and of propriety. If the President wants to veto it, that is his constitutional function. The way to convey information to the branches of the Congress by the White House is through a presidential message. This backstairs arrangement by which the President, through his emissaries, is seeking constantly to instruct the Congress and to threaten the Congress with what he will do unless the Congress passes exactly what he dictates is not at all in harmony with American traditions and American institutions.

Mr. BYRNES and Mr. GLASS addressed the Chair.

The VICE PRESIDENT. Does the Senator from Texas yield; and if so, to whom?

Mr. CONNALLY. I yield first to the Senator from South Carolina.

Mr. BYRNES. I should like to ask the Senator from Texas whether he intends to offer a motion to instruct the conferees?

Mr. CONNALLY. I may or I may not. I will get to that a little farther on.

Mr. GLASS. I suggest to the Senator that, unless he wants to sacrifice all provisions of the bill put in by the Senate which were not contained in the House bill, we will have to have another conference.

Mr. CONNALLY. I am not objecting to another conference, but when the conferees go back I am interested in what they are going to do.

Mr. GLASS. No; the Senator is now proposing without any qualification to sacrifice every provision that the Senate put in the bill and to agree to the House bill?

Mr. CONNALLY. Oh, no. The Senator from Texas is not proposing to sacrifice anything; but the Senator from Texas wants to remove the obstacle to an agreement if the only obstacle is publicity.

Mr. GLASS. Why does the Senator not move to instruct the conferees?

Mr. CONNALLY. I do not want to move to instruct them now because the Senate perhaps at this moment is not in the temper to instruct them. The Senator from Virginia would vote against instructing them.

Mr. GLASS. I have no objection——

Mr. CONNALLY. Would the Senator vote to instruct them? Oh, no; the Senator would not.

Mr. GLASS. I say I have no objection to being instructed.

Mr. CONNALLY. But the Senator would vote against instructing the conferees; so would the Senator from Arkansas, and so will other Senators.

I should like to make a parliamentary inquiry.

Mr. LEWIS. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator from Texas first proposed a parliamentary inquiry.

Mr. CONNALLY. While the conferees are out, before bringing any report back to the Senate, is it in order at any stage of the proceedings to move to instruct the conferees as to points in disagreement?

The VICE PRESIDENT. Not after the conferees have been appointed.

Mr. CONNALLY. Not after they have been appointed?

The VICE PRESIDENT. No. The time to make such a motion is after the pending motion shall have been agreed to, to send the bill to conference, and before the appointment of the conferees.

Mr. CONNALLY. There is just one little flitting moment when it can be done. When they once get the bill and go off in a room there is no power that the Senate has to control them unless they come back and ask for instructions. Is that correct?

The VICE PRESIDENT. That is correct.

Mr. LEWIS. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. LEWIS. I have been called out, and have just returned at the moment when this very agreeable altercation between Hercules and Achilles is being conducted in the highly Grecian style which was emulated with joy by the Romans; but I do not understand, in this very agreeable verbalistic combat, what is the question before the Senate.

The VICE PRESIDENT. The pending question is the motion of the Senator from Arkansas to insist upon the Senate amendments to the House bill and ask for a conference.

Mr. LEWIS. I thank the Chair.

Mr. COUZENS. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Michigan?

Mr. CONNALLY. I yield.

Mr. COUZENS. I should like to ask the Senator from Arkansas, with the permission of the Senator from Texas, if the House provision makes the publicity provision retroactive, or is it just in the future?

Mr. ROBINSON of Arkansas. I think it is retroactive.

Mr. WAGNER. It is in the future.

Mr. ROBINSON of Arkansas. I am informed by the Senator from New York that it is effective for future loans.

Mr. COUZENS. Only for future loans?

Mr. WAGNER. Mr. President, will the Senator from Texas yield?

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from New York?

Mr. CONNALLY. I yield.

Mr. WAGNER. I merely wish to express confidence that the conferees will reach an agreement in a very short time. I do not want to deter the Senator if he wants the conferees instructed. Of course, I have no objection to that; but I am expressing my own individual opinion when I say I am very confident of an agreement being reached in a short time.

Mr. McKELLAR. Mr. President, will the Senator permit me to ask a question of the Senator from New York?

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Tennessee?

Mr. CONNALLY. I yield.

Mr. McKELLAR. I should like to ask the Senator from New York, does he believe that the publicity provision will be stricken out by the conferees? I am very much in favor of the publicity provision of the House bill.

Mr. WAGNER. Again expressing an individual opinion only, I do not think it will be. That is my individual opinion.

Mr. McKELLAR. I certainly hope it will not be.

Mr. CONNALLY. Mr. President, I do not want to take up much more of the Senate's time, but while I am on this subject I want to make a few more remarks.

Suppose the President of the United States does veto the relief bill because of the clause providing for publicity respecting Reconstruction Finance Corporation loans, whose responsibility will it then be if this bill shall fail? The responsibility will not rest upon the Congress; it will not rest upon the House of Representatives or the Senate; it will rest squarely on the doorstep of the White House. The President, up to date, has had his way in dictating to the Congress the exact form, the exact outlines, the exact substance of the relief bill in its general provisions. If the President wants to take the responsibility of vetoing this bill, let him veto it, and let the country know where the responsibility rests.

What will his objection be? He will veto it on the ground that it will be wrong to let the people know where their money is going, being loaned by a board under the control of the President, by a board that can be removed by the President in a moment, by a board that is now dominated by the President, and by a board into whose affairs the President already on more than one occasion has intervened with reference to loans pending before them. Why should the President be afraid of the publicity of what that board may do? Why should the board be afraid? If the loans they make are based upon adequate security, if they are to concerns engaged in business or industry, giving employment to the unemployed, why should anybody fear publicity? Why is it unsound?

I want here and now to state that, in my opinion, this whole proceeding by which we have introduced into our system a new plan of Executive legislation, Executive dictation in advance of what legislation shall be, is un-American. I am surprised that some Senators, who on ordinary occasions are so courageous and so bold, should offer on the floor of the Senate an argument that unless we draw this bill exactly in a precise form it will possibly meet a presidential veto. Let the President perform his functions; let the Congress perform theirs; and when he sends his messenger here to tell the Senate and the other House of Congress in advance what they must do, let the Congress send back its messenger with a statement that if the President will perform the Executive functions the Congress, as representatives of the people and pursuant to constitutional provisions, will perform legislative functions.

Mr. President, I desire the Chair to advise me just when I may make the motion, in order that I may not overlook the opportunity of making the motion, to instruct the conferees.

The PRESIDENT pro tempore. That may be done as soon as the motion which has been made by the Senator from Arkansas has been agreed to and before the Chair has appointed the conferees. The present occupant of the chair will protect every right the Senator from Texas has.

Mr. CONNALLY. I thank the Chair.

Mr. LONG. Mr. President, I am going to undertake to advise the Senator from Texas, though I do not expect him to accept the advice, and to indulge in a little frank talk to the Senate about publicity of Reconstruction Finance Corporation loans.

The Senator from Texas is a new convert, so far as his voice in the Senate is concerned, about the publicity for these loans. We have before the Senate right now a resolution which does not have to be attached to this bill, which does not have to be hooked up to this bill at all, thereby risking a veto of the bill on account of it. The Senator from Nebraska has a resolution now pending before the Senate providing for publicity of all loans made by the Reconstruction Finance Corporation.

Mr. President, if this provision in this bill is going to mean a veto, I am not in favor of the provision remaining in the bill, because the last House bill that the Speaker of the House insisted upon did not have in it the provision for publicity of loans made by the Reconstruction Finance Corporation. The bill that was vetoed by the President had in it certain private loans; and the bill was vetoed, as we understood, because the President would not sign the bill with the private loans in it. Therefore the Democrats of the Senate concluded to remain in session and to let the President take the responsibility for having stricken out the provision for private loans, and to prefer to pass a bill giving nine-tenths of the desired relief rather than a bill giving the people no relief at all.

So we went ahead on that course. Now the measure has gone over to the House, and the House has stricken out its bill and put another matter in the bill that was not heard of in the other bill that went to the President, that we are told from some sources means another veto of the bill.

This talk about standing pat and not letting the President dictate this legislation is something that I agreed with a long time ago, but it is too late to talk about that now. That is not the view that this side of the Chamber has taken. This side of the Chamber has taken the position that it was going to extricate all the benefits it could out of the bill that was vetoed by the President of the United States. It never was in the minds of men on this side of the Chamber that they were going to go out and have the House write into that bill some new matter equally objectionable and equally certain to cause a veto of this relief legislation.

If we had any idea of having another showdown with the President on something else, there was no sense in holding the Senate and the Congress in session to send something else back to the President of the United States. I think the position that is taken by the House of Representatives in this matter is extremely unwise.

I am for all the harmony in the Democratic Party that we can have. I am no particular partisan of the views of the Senator from Arkansas [Mr. ROBINSON]. I think I have established that pretty well in this body. I am not particularly undertaking to promote the ideas of anyone, but we have certain things in this bill. When we were debating as to what we ought to do, whether we ought to stand pat on the veto by the President of the bill that was sent to him the last time and adjourn, or come back and cut out what we knew he would not sign and what we knew we could not pass over his veto, I went on the other side of the Chamber and consulted such men as the senior Senator from Idaho [Mr. BORAH], and others, because there was not any particular unanimity of feeling among the Democrats as to what would be the best thing; and it was the view of the men on the Democratic side and the progressives on the Republican side that we had to pass some relief bill getting whatever relief we possibly could get from this Congress, and that bill had to have the signature of the President.

It could not be passed without it. It is foolish to talk now about another impasse, to throw out this bill and have another test of strength and another deadlock because something has been written into this bill that was not in the last bill at all, and allow the House to come here and put something else in this one and then go back and have this one vetoed, and then cut that out and have the House put some other political plank in the bill and get it vetoed. We might as well have adjourned this session of Congress when we passed the last bill as to come back here now and have another test of political strength.

I think it is bad strategy from a political standpoint on the part of the President of the United States. I think he is making a mistake in not having publicity of these loans of the Reconstruction Finance Corporation. I was in favor of that. A week ago I stood on the floor of the Senate for about 45 minutes and made a speech in favor of the Norris resolution. None of these enthusiastic Senators made any remarks at that time undertaking to pass the Norris resolution. That resolution was on the calendar then and is on the calendar right now. If we are anxious to have this session of Congress pass upon whether or not the Reconstruction Finance Corporation is going to publish its reports, we can hold Congress in session long enough to pass on the Norris resolution, and not have the meritorious features of this relief bill vetoed because the Norris resolution can not be hooked into it. That is what we can do.

It is not sense, it is not doing right by the people of this country, for the bullheadedness of any one man—I do not

care who he is—of any party to deadlock Congress and beat this relief bill again. We know the position of the President of the United States.

My State has some benefits in this bill. We need the help of this bill. The 48 States of America need it. It may be thought that I am selfish about it, but I am no more so than any of the other people from the 48 States. We know that there is certain legislation that the President will not sign; and I am not willing, any more than I was willing in the case of the League of Nations or anything else, for one little point which may be of benefit to keep us from deriving nine-tenths of the benefit of any bill.

So I say, Mr. President, that it should be our move here on both sides of this Chamber to convince the House conferees that we do not want another political proposition, however sound it may be, attached to this bill if it means another veto. We ought not to do it. I am not willing to have it done.

I do not believe the men on this side of the Chamber ought to want it done, and I do not believe they ought to have it done. I think we ought to stand on this report, send it back, and use a little bit more common sense in telling somebody else they may have to give in a little bit.

I am tired of giving in, and pulling chestnuts out of the fire for some people that get themselves in an embarassing position on this bill. I am tired of it. We need this help in this country. It is not all we need. We need to have the Reconstruction Finance Corporation investigated; but when we know we can not get that, is that any reason why we have to put our heads in a halter and hang the balance of this bill and have it defeated for the American people at this time?

I submit, Mr. President, that we ought to sustain the position that we stand by all that we have said there, and when the bill goes back to conference, then, the conferees can find out what will happen, as they found out last time. We knew last time that the other bill was going to be vetoed if we left the private loans in it. We were told that, and we knew it; and we can know now, if the Reconstruction Finance Corporation publicity remains in the bill, whether there is going to be a veto or not. If it does mean a veto, I think our conferees should stand to get the benefits of this bill. However, if they find that if the bill is passed by the two Houses it will not meet an Executive veto, then I would say keep the publicity there.

I am so new in this body, and I am so unfamiliar with its rules, that I should like to ask the Senator from Arkansas [Mr. ROBINSON] this question:

If a resolution is passed by the two Houses to have the Reconstruction Finance Corporation report its loans to Congress, does that require the signature of the President?

Mr. ROBINSON of Arkansas. Yes.

Mr. LONG. That is required?

Mr. ROBINSON of Arkansas. Yes.

Mr. LONG. Then if Senators want to make a political issue with the President, they can stay here and have him veto that resolution just the same. If they want to show his position, there is a fair, uninterrupted, unobstructed method by which his stand can be made known to the American people. But there is no rhyme or reason or excuse in defeating a relief bill that has been worked for by the men on this side of the Chamber. This is a Democratic relief bill, framed by the Democrats of this Congress in the Senate, and it is not fair to this body to have it hazarded and to have these relief benefits stricken out or vetoed and another blockade created here.

Mr. LEWIS obtained the floor.

Mr. WAGNER. Mr. President, will the Senator yield to me just long enough to present the report of the conference committee?

Mr. LEWIS. Yes. I want to say just a word.

Mr. WAGNER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the bill (H. R. 9642) to authorize supplemental appropriations for emergency highway construction, with a view to increasing employment, having met, after full and free conference have been unable to agree.

PETER NORBECK,
SMITH W. BROOKHART,
P. L. GOLDSBOROUGH,
CARTER GLASS,
ROBERT F. WAGNER,
Managers on the part of the Senate.

J. W. COLLIER,
HENRY T. RAINEY,
R. L. DOUGHTON,
W. C. HAWLEY,
ALLEN T. TREADWAY,
Managers on the part of the House.

Mr. LEWIS. Mr. President, I am very much moved by what must be the appearance to those who reflect upon the object of this body in hearing these discussions as to the President's veto.

The ordinary traveler, touched here and there with the classics of life, should he find himself in the great capitol at Rome, and near to the great forum which held the famous body of the Roman Senate, would be reminded that upon a statue there is the famous query which, we are told, Christ addressed to Saint Peter. When Peter was seen in the shadows, rushing over to an opposite road, we are informed that the voice exclaimed:

Quo vadis?

We ask here, in the words of the sacred suggestion, which way are we going? To which way are we moving? When has it become the sense of propriety, or that which could be called the statesmanship of this body, that we should rise here from time to time to anticipate what the President of the United States may or may not do and then flash with a judgment against the President on some assumed theory that he will veto this measure or that unless we yield or detract in something? I ask, where is the theory of our organization that justifies this great body, in the exercise of its intelligence and propriety, in assuming that under every conceivable circumstance the President is going to do something which the Senate feels will be wrong, and, therefore, on the assumption denounce the act before it is committed, continue denouncing the author and perpetrator of an imaginary act before he has committed it? And, sirs, let me demand, where is the right to assume on the part of this body that has a duty to create conflict between Members on either side as, between themselves or as against its political opponents, upon the theory that, if something is contained in a bill or something is omitted from a measure, therefore, the President of the United States, in an arbitrary spirit, will take such actions as will make the one appropriate to his favor or the other obnoxious to the rights of the Senate?

Where, sir, is the source that has communicated to us what the President intends to do? Who conveys the secret mind of the President to our chamber of horrors? Who carries the inner reflection of the President to whisper it to us? Who has been ordered here to be the oracle of the Delphic temple from which issue the whispers as to what the President will do and what he will not do in each given course? And, may we not ask, what manner of action are we, the eminent Senators of the United States, in this great body, to justify ourselves in firing ourselves into a hysterical dilemma, together with a hysterical eruption, upon some sizzling theory of what each Senator assumes the President of the United States may or may not do with a measure after we have passed it to him?

Is it not decorous that we proceed to do that which we feel is our duty under the conditions which surround us, and then let that duty pass in the ordinary course as provided by the Constitution up to the Executive power, if it is that to which it is to go? Then and there trust in the theory that the Executive, in the execution of the Constitution, in the discharge of a conscientious duty, and in the performance of what he owes to his country under the same circumstances

that impel us, will execute in his own behalf and the just need of the Nation the discharge of his duty guided by the commands of law and the voice of conscience. Then, when such is done, we will have some vision of what has transpired; we will be justified in some comment or commendation.

Under the present circumstances, to give evidence to the country all around us that we summon up the ghost of peril and antagonism and turn against it and with horror shudder at the contemplation of a thing we assume the President will commit, and thus leave direct everything to a confusion worse than chaos, is not characteristic of the body of the Senate nor justified by the situation on the presented facts.

I, sir, take the liberty to suggest that the course shall be that which should be the course of the United States Senate. The Senate to perform its own obligation as it feels it, discharge its duty as it contemplates it, and do that which it thinks is best under the conditions under which it or he or they shall speak, then send the measure forward to the Executive under the assumption in his behalf that we trust him, will believe in him, and let him know that we support him in the faithful discharge of his duty, and do not accuse at the beginning that his conduct will be wrong and in violation of the rights of the American public. Let us continue the fraternity of official trust and mutual confidence.

The report was agreed to.

EMERGENCY EMPLOYMENT

The PRESIDENT pro tempore. The question is on agreeing to the motion proposed by the Senator from Arkansas that the Senate insist upon its disagreement to the amendment of the House to Senate amendment No. 1, that it further insist upon its amendments Nos. 1 and 2, that it ask a further conference with the House, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to.

Mr. CONNALLY. Mr. President——

The PRESIDENT pro tempore. The Chair is on the point of naming the conferees.

Mr. CONNALLY. Mr. President, I do not want to do anything that will hinder in any wise the conferees in their action toward getting an agreement, and if the conferees will give assurance that before they strike out this publicity amendment they will come back to the Senate to report first, I shall not press my motion.

The PRESIDENT pro tempore. There is no parliamentary method by which that assurance may be procured.

Mr. CONNALLY. Mr. President, I shall not insist on the motion at this time, in view of certain assurances from Senators.

The PRESIDENT pro tempore. Under the motion, the Chair appoints the senior Senator from South Dakota [Mr. NORBECK], the senior Senator from Iowa [Mr. BROOKHART], the junior Senator from Maryland [Mr. GOLDSBOROUGH], the junior Senator from Virginia [Mr. GLASS], and the junior Senator from New York [Mr. WAGNER] conferees on the part of the Senate.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Chaffee, one of its clerks, announced that the House had passed without amendment the following bills of the Senate:

S. 4522. An act to authorize the conveyance to the State of Tennessee of certain land deeded to the United States for the Great Smoky Mountains National Park and not needed therefor; and

S. 4661. An act to repeal an act entitled "An act to legalize the incorporation of national trade-unions," approved June 29, 1886.

The message also announced that the House had passed the following bill and joint resolutions, in which it requested the concurrence of the Senate:

H. R. 10372. An act to authorize the Director of Public Buildings and Public Parks to employ landscape architects, architects, engineers, artists, or other expert consultants;

H. J. Res. 473. Joint resolution to amend the public resolution entitled "Joint resolution making an appropriation to provide transportation to their homes for veterans of the World War temporarily quartered in the District of Columbia," approved July 8, 1932; and

H. J. Res. 474. Joint resolution making available as of July 1, 1932, the appropriations contained in the regular annual appropriation acts for the fiscal year 1933 for the Departments of Agriculture, Post Office, Treasury, and War, and ratifying obligations incurred in anticipation thereof.

TRANSPORTATION OF VETERANS

Mr. JONES. Mr. President, I ask that the Senate proceed to the consideration of House Joint Resolution 473, which has just come over from the House.

The joint resolution (H. J. Res. 473) to amend the public resolution entitled "Joint resolution making an appropriation to provide transportation to their homes for veterans of the World War temporarily quartered in the District of Columbia," approved July 8, 1932, was read the first time by its title and the second time at length, as follows:

Resolved, etc., That the public resolution entitled "Joint resolution making an appropriation to provide transportation to their homes for veterans of the World War temporarily quartered in the District of Columbia," approved July 8, 1932, is hereby amended to read as follows:

"That to enable the Administrator of Veterans' Affairs, upon the request of any honorably discharged veteran of the World War temporarily quartered in the District of Columbia who is desirous of returning to his home, to provide such veteran with transportation thereto prior to July 25, 1932, by railroad or such other means of transportation as the Administrator of Veterans' Affairs may approve, including allowance in advance for gas and oil for travel in privately owned automobile, together with travel subsistence at the rate of 75 cents per day, there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $100,000, and in the event such amount is insufficient there is hereby appropriated out of the general post fund authorized by the act of July 1, 1902, and the act of June 25, 1910 (U. S. C., title 24, secs. 136 and 139), such amount as the Administrator of Veterans' Affairs may determine to be necessary: *Provided*, That where transportation is authorized by other than railroad the amount allowed for same shall not exceed the cost of railroad transportation: *Provided further*, That all amounts expended under this appropriation in behalf of any veteran shall constitute a loan without interest which, if not repaid to the United States, shall be deducted from any amount payable to such veteran on his adjusted-service certificate."

Mr. JONES. Mr. President, the availability of the money for the transportation home of the ex-service men now in Washington will expire at midnight to-night. This joint resolution is simply one extending the time until the 25th of July, if any additional money is needed to carry out the original purpose of the appropriation. I ask for the present consideration of the joint resolution.

The PRESIDENT pro tempore. Is there objection?

Mr. KING. Mr. President, the consideration of this joint resolution will not impair the status of the merger bill?

The PRESIDENT pro tempore. The Senator from Vermont is being protected amply in his rights by the present occupant of the chair.

Mr. KING. I wanted to be sure the Chair would protect him.

The PRESIDENT pro tempore. Is there objection to the consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the joint resolution, which was ordered to a third reading, read the third time, and passsed.

APPROPRIATIONS FOR THE AGRICULTURAL, TREASURY, POST OFFICE, AND WAR DEPARTMENTS

Mr. JONES. Mr. President, I ask that the Senate proceed to the consideration of House Joint Resolution 474, which has just reached the Senate from the House.

The joint resolution (H. J. Res. 474) making available as of July 1, 1932, the appropriations contained in the regular annual appropriation acts for the fiscal year 1933 for the Departments of Agriculture, Post Office, Treasury, and War, and ratifying obligations incurred in anticipation thereof, was read the first time by its title and the second time at length, as follows:

Resolved, etc., That the appropriations and authority with respect to appropriations contained, respectively, in the regular annual appropriation acts for the fiscal year ending June 30, 1933, for the Department of Agriculture, the Treasury and Post Office Departments, and the military and nonmilitary activities of the War Department, shall be available from and including July 1, 1932, for the purposes respectively provided in such appropriations

and authority for the service of such fiscal year. All obligations incurred during the period between June 30, 1932, and the respective dates of enactment of each of such acts in anticipation of such appropriations and/or authority are hereby ratified and confirmed if in accordance with the terms thereof.

Mr. JONES. Mr. President, I may say that this is simply a joint resolution reaffirming the validity of appropriations that were made after the 1st of July for activities of the Government beginning the 1st of July. I ask for the immediate consideration of the joint resolution.

Mr. KING. Mr. President, will not the Senator explain the significance of the resolution?

Mr. JONES. Mr. President, as I understand, as to appropriation bills we passed, say, the 5th or 6th of July, or any time after the 1st of July, there is some uncertainty as to whether the appropriations made will relate back to the 1st day of July, and this joint resolution would remove all doubt about that.

The PRESIDENT pro tempore. Is there objection to the present consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the joint resolution, which was ordered to a third reading, read the third time, and passed.

CONTRACT FOR THE PURCHASE OF TWINE

Mr. REED. Mr. President, yesterday, in discussing a certain contract let by the Post Office Department for twine, I believe that I did an injustice to the officials of the Post Office Department who had charge of the contract. I have read the letter to the senior Senator from Washington [Mr. JONES], which appears on page 15207 of the RECORD, and as the facts are stated in that letter, I want to say now that I think the action of those officials was correct, and was necessitated by the language of the law which we have passed.

Mr. BYRNES. Mr. President, the Senator from Pennsylvania says he has changed his opinion by reason of the letter written to the chairman of the Committee on Appropriations by the Postmaster General. I hope the Senator from Pennsylvania in reading the letter from the Postmaster General noticed this statement, which appears on page 15207 of the RECORD:

> When the bill was under discussion by the Senate, the committee amendment was objected to by Senator REED.

If the Senator from Pennsylvania will look at the RECORD of June 28 he will find that he, the Senator from Pennsylvania, did not object to the amendment. On the contrary, he stated that he did not object to it, that he was not inclined to make any objection to the amendment offered by the Senator from Georgia [Mr. GEORGE].

Mr. REED. Yes; but that is not the amendment to which the letter refers. The amendment referred to in the letter is the amendment changing the word "or" to "and."

Mr. BYRNES. I will say this, that if the Senator from Pennsylvania will look at the RECORD he will find that he made no objection to any amendment offered by the Senator from Georgia.

Mr. REED. No; I did not.

Mr. BYRNES. That being true, I want to call his attention to the fact that the Postmaster General advised the chairman of the Committee on Appropriations that the Senator from Pennsylvania objected to the amendment.

Mr. REED. Oh, no. He was talking about the committee amendment, to which I did object.

Mr. BYRNES. The Senator from Pennsylvania will not find in the RECORD that he objected to the committee amendment. If he will examine the RECORD, which I have looked at in the last two hours, he will find that that is a fact.

Furthermore, may I call attention to the fact that it is stated in the letter from the Postmaster General:

> Following a protracted discussion, the committee amendment was rejected.

That statement has absolutely no foundation in fact. There was no protracted discussion. There was no statement by any Senator except the Senator from Georgia [Mr. GEORGE], who explained the amendment, and the Senator from Pennsylvania, who said that, having heard the amendment read at the desk, he was under the impression that it was only discretionary; however, that he had no objection to it.

That was the "protracted discussion," because when the Senator from Pennsylvania made that statement, the Senator from Nevada [Mr. ODDIE], the chairman of the committee, said he had no objection to the amendment. The amendment was agreed to, and the Postmaster General calls that a "protracted discussion."

From those two statements contained in the RECORD, the accuracy of the statements of the Postmaster General can well be judged. The Senator from Georgia, who offered the amendment, urged it with no purpose in mind other than to carry out the intent of the Congress that American produced and manufactured goods would be given preference; and the Postmaster General has deliberately sought to read into the language of the amendment of the Senator from Georgia an intent and a meaning not justified by the language, and certainly not justified by the intent of the Senator from Georgia [Mr. GEORGE].

Mr. GEORGE. Mr. President, I do not now wish to discuss the letter of the Postmaster General further than to say that his interpretation of the amendment is childish. I said very plainly on this floor when the question was under discussion the Postmaster General was not free to deal with the particular problem presented to him by this amendment, because of the tremendous power of one of the most highly protected interests in this country; that is, the jute interest, the Ludlow interests, an interest that has written its tariff directly in opposition to every accepted principle of protection, for its own private benefit, and it has had always the servile acquiescence of that party which now controls the Post Office Department.

FUNDS OF GOVERNMENT PRINTING OFFICE EMPLOYEES

Mr. SHIPSTEAD. Mr. President, I present a communication from employees of the Government Printing Office and ask that it may be read.

The VICE PRESIDENT. Without objection, the Secretary will read, as requested.

The Chief Clerk read as follows:

> North Capitol Savings Bank, 1 H Street NW., was closed by the Comptroller of the Currency, John W. Pole, to-day and has caused a serious condition for the employees of the Government Printing Office.
>
> Twenty-nine out of thirty-two sick-relief and pension associations of the Government Printing Office had all of their funds in this bank.
>
> Practically all of the employees had their savings in this bank, which are lost. The Government Printing Office employees' associations have at the present time on the sick list and in hospitals over 60 employees who are being cared for through the relief funds which have been lost in this bank. Each employee contributes from $1 to $5 per month voluntarily. This relief fund is necessary on account of the fact that there is no sick leave at the Government Printing Office.
>
> Practically every employee of the Government Printing Office, with any savings at all, had them in this bank. The condition is really serious.
>
> The employees of the Government Printing Office beg the Senate to give them the money they have earned.

Mr. SHIPSTEAD. Mr. President, I felt it necessary to have that statement read in order to inform the Senate of the condition of the finances of the employees of the Government Printing Office, with the hope that action upon the resolution which I offered this morning may be facilitated if it is possible for the Appropriations Committee to do so.

I have talked to the chairman of the Appropriations Committee and he tells me it is going to be very difficult at this late hour to secure any action upon the resolution referred to; but, for the information of the Senate and for the information of members of the Appropriations Committee, I have had the statement read in order that they may be informed.

The VICE PRESIDENT. The communication will be referred to the Committee on Appropriations.

DEVELOPMENT OF INLAND WATERWAYS

Mr. SHIPSTEAD. Mr. President, we are in the closing days or hours of this session of Congress, and, in view of that fact, I feel it my duty to make known to the Congress,

on behalf of the great many people in the great Mississippi Valley, their keen disappointment at the failure of Congress to carry out the great program for development of inland waterways that has for years been sponsored by the President of the United States.

Mr. President, the failure of the Congress to provide a comprehensive plan for financing and finishing the inland waterways at this session of Congress leaves the old method of making piecemeal appropriations and letting contracts by piecemeal that has been pursued for the last 30 or 40 years—a system of wasteful, pork-barrel appropriation and contracting that has resulted in spending $470,000,000 upon the so-called Mississippi River system, including the Ohio, Tennessee, Mississippi, Illinois, and Missouri Rivers.

The relief bill that was passed by the Congress provides for the continuation of that system of letting contracts and that system of making appropriations. Under that procedure the chances are that it will take another 20 or 30 years to complete these inland waterways.

When I say that the people of the Mississippi Valley are greatly disappointed that the present Congress has not carried out the program of the President as enunciated for years by President Hoover, I have in mind the program that he has enunciated and for which he has spoken—that is, a plan of financing the construction of these inland waterways that could complete them in five years.

But I need not in my words state what the President said. I will quote his own words in order that the Congress may know the President's former attitude on the development of these inland waterways.

In his speech of acceptance of August 11, 1928, he said:

Nature has endowed us with a great system of inland waterways. Their modernization will comprise the most substantial contribution to Mid West farm relief and to the development of 20 of our interior States.

This modernization—

He continued—

includes not only the great Mississippi system, with its joining of the Great Lakes and the heart of the Mid West agriculture to the Gulf, but also a shipway from the Great Lakes to the Atlantic.

These improvements—

He said—

would mean so large an increment in farmers' prices as to warrant their construction many times over.

He said at that time and in that address:

There is no more vital method of farm relief.

At Louisville, Ky., on the 23d day of October, 1929, in an address, he stated:

The Mississippi system comprises over 9,000 miles of navigable streams. I find that about 2,200 miles have now been modernized to 9 feet in depth, and about 1,400 miles have been modernized to at least 6 feet in depth. Therefore some 5,000 miles are yet to be connected or completed so as to be of purpose to modern commerce.

He said:

We should establish a 9-foot depth in the trunk system. • • • We should complete the entire Mississippi system within the next five years.

That statement was made in 1929. In 1926, on July 20, just about six years ago on this day, in describing this trunk system, he said:

One of them is an east-and-west waterway across half the continent from Pittsburgh to Kansas City along the Ohio, Mississippi, and the Missouri Rivers, the other a great north-and-south waterway system across the whole Nation reaching up the Mississippi from the Gulf, dividing into two great branches, one to Chicago and extending then by the Lakes to Duluth, and the other the Upper Mississippi to the Twin Cities.

That was his opinion and statement in 1926, six years ago.

The year before, 1925, seven years ago, on October 19, while he was Secretary of Commerce, he made an address at Kansas City, in which he said:

There is one vital factor which must be made effective before these services can bring their results both in rates and in service to an important part of our Mid West agriculture and industry. That is, we must make these waterways into a full and completed transportation system by joining up their broken links. I can not insist too strongly upon the necessity of this full completion of the whole system, for every part bears a relation to every other part no matter how remote.

Again, on that occasion he said:

Our objective is of wider importance than the solely waterside transport. We aim to carry the benefits of cheaper transportation back into the hinterland, where goods must be gathered and distributed by rail and in which the rivers will form a connecting link of cheaper transportation. But before this can be effective the waterway link must be long enough to overcome the extra cost of loading from cars. That is, the cheaper rates of the water section must more than offset the cost of additional loading and reloading. And this only becomes possible when there are long water hauls. And we shall not have arrived at these long stretches of water in full measure until we have completed the whole Mississippi system of interconnected segments.

In the same address, delivered in 1925, seven years ago, he also said:

On the Mississippi system these engineering questions are behind us. We know what we should do. We know its vast benefits. We know it can be accomplished by a comparatively trivial cost compared to these benefits. We should go to it and have it completed within the next decade.

At Minneapolis, July 20, 1926, Mr. Hoover shortened this period to five years, and in his Louisville address, delivered October 23, 1929, Mr. Hoover, then President, stated:

We should complete the entire Mississippi system within the next five years.

When Secretary of Commerce, Mr. Hoover said at Minneapolis, July 20, 1926:

We need a definite commitment to complete the whole system, including the links proposed in the present bill over a definite short term of years. By so doing our engineers can provide for equipment and contracts that will complete it at much less cost in time and money than by our tentative and gingerly handling of it all.

I might inform the Senate that General Brown stated that if a businesslike method of financing the construction of these inland waterways could be inaugurated, so that contracts could be let on a businesslike basis, the Corps of Engineers, he estimated, could save 25 per cent of the estimated cost of the building of these inland waterways and could complete the job within a comparatively short period of years, within about five years. He said he could economically spend in a businesslike program $100,000,000 in this fiscal year and $150,000,000 in every year after this and employ 160,000 men for five years, employing them for 120 days every season and complete the system.

When Secretary of Commerce, Mr. Hoover said at St. Louis, Mo., November 22, 1926:

A unified, connected system with interconnection of the great Mississippi system and the Lakes is essential. Disconnected though improved segments are of no avail. The whole chain is only as useful as the weakest link.

As President, Mr. Hoover stated at Louisville, Ky., October 23, 1929:

We should complete the entire Mississippi system within the next five years. We shall then have built a great north-and-south trunk waterway entirely across our country from the Gulf to the northern boundaries, and a great east-and-west route halfway across the United States. Through the tributaries we shall have created a network of transportation. We shall then have brought a dozen great cities into direct communication by water; we shall have opened cheaper transportation of primary goods to the farmers and manufacturers over a score of States.

Mr. TYDINGS. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Minnesota yield to the Senator from Maryland?

Mr. SHIPSTEAD. For what purpose?

Mr. TYDINGS. Did the President say when that was to be done?

Mr. SHIPSTEAD. In all of these statements he said, as long ago, I think, as in 1926, that they ought to be done within five years.

Mr. TYDINGS. It looks as if we are a little late getting under way.

Mr. SHIPSTEAD. I am reading the President's statements. I will leave Senators to make their own interpretation.

BENEFITS RESULTING TO AGRICULTURE AND INDUSTRY FROM IMPROVEMENT OF INLAND WATERWAYS

When Secretary of Commerce, Mr. Hoover stated at Kansas City, October 19, 1925:

If we have back loading, 1,000 bushels of wheat can be transported 1,000 miles on the Great Lakes or on the sea for $20 to $30; it can be done on a modern-equipped Mississippi barge for $60 to $70, and it costs by rail from $150 to $200.

Mr TYDINGS. Mr. President, will the Senator yield again?

Mr. SHIPSTEAD. I yield.

Mr. TYDINGS. I take it for granted from what the Senator has said that a part of the address of Mr. Hoover was in the nature of a campaign speech.

Mr. SHIPSTEAD. I would prefer that the Senator would put his own interpretation on the purpose for which it was made. I assume and believe that the speech was made in good faith. Facts were stated as he saw them as an engineer and as an economist.

Mr. TYDINGS. If I may transgress a moment more, it would be interesting to know why nothing has been done and why the President has been quiescent on this subject so long, after having made such definite statements as to what ought to be done.

Mr. SHIPSTEAD. I can not answer the Senator. The President said:

These estimates are not based upon hypothetical calculations, but on the actual, going freight rates. The indirect benefits of the cheaper water transportation to the farmer are of far wider importance than the savings on individual shipments might indicate. In those commodities where we are depending upon exports for a market—and upon some domestic markets—the price level will be determined at the point where the world streams of that commodity join together in the great markets. Thus the price of wheat is made at Liverpool, and anything that we can save on transportation to Liverpool is in the long run that much in addition to the farmer's price. And it is not an addition solely to the actual goods which he may have shipped to that market, but it lifts the price level in our domestic market on the whole commodity in this same ratio. Thus if we can save from 5 to 7 cents a bushel additional by the completion of the Mississippi and Great Lakes systems we will have added a substantial amount to the income of every farmer in the Middle West.

When Secretary of Commerce, Mr. Hoover stated, at St. Louis, November 22, 1926:

The necessary increase in railway rates is as if a series of tollgates around the Mid West have distorted the economic setting of this whole section. And to this is added the additional economic distortion due to the completion of the Panama Canal. It has thus become doubly urgent that we find a new and cheaper means of transportation for our bulk commodities if we are to relieve adverse pressures and maintain the equal advancement of all parts of our country. We can not without ruin to our railways reduce her rates to pre-war levels. We must find relief in our waterways, and we can rest with full confidence that the growth of the country will more than maintain railway traffic.

Nor are the economic benefits to be derived from completion of this great new system of river and lake ways limited to the actual savings made on particular goods which may be shipped. It is possible to demonstrate that great economic benefits would come to agriculture and industry even though there be but a minor part shipped by water, because of the potential effect upon the price of commodities.

He was not then talking about a system which has never been completed due to the wasteful methods of making appropriations and contracts, a practice under which for 40 years we have never had a completed system. He was talking then of a completed system. He said:

Taking many different Mid West points and calculating the rates by water on completed systems, there shows a cheapening of various amounts from 6 to 15 cents per bushel on wheat in the cost of delivery to Liverpool. Obviously, the Liverpool buyer would bid up to this margin in the price he offers, and his competitive bidding should lift the price of all the wheat in the region, whether the wheat actually went to Liverpool or not.

Nor is the importance to industry limited only to the amount of goods that would be carried over this transportation system. With the distortion of transportation rates resulting from the war and the Panama Canal, there has been a natural tendency of industry and commerce to migrate from the Midwest to seaboard.

This migration is exactly in the wrong direction. Sound national economy requires the establishment of industries nearer to our farmer consumers, for it gives both an immediate market to agricultural products and a large diversification of employment. Furthermore, if through cheaper transportation of raw materials we can give equal economic opportunity for the establishment of industry in the West, we shall secure a better distribution of population and a trend away from the growing congestion of our enormous urban centers.

As President, Mr. Hoover stated at Louisville, Ky., October 23, 1929:

Some have doubted the wisdom of these improvements. I have discussed the subject many times and in many places before now, and I shall not repeat the masses of facts and figures. The American people, I believe, are convinced. What they desire is action, not argument.

I might refer that statement of the President to his representatives at the convention in Chicago who wrote the Republican platform, and also to some members of his Cabinet, particularly to Mr. Mills and to Mr. Hurley.

When a bill was introduced in the Senate, a bill which I had the honor to introduce on behalf of the Mississippi Valley Association, a similar bill being introduced in the House by Mr. MANSFIELD, a measure which had the indorsement of the shippers, represented by a thousand delegates at St. Louis last November, two members of the Cabinet, the Secretary of War and the Secretary of the Treasury, wrote letters to the Committee on Commerce of the Senate in opposition.

Mr. McKELLAR. Mr. President, if the Senator will yield, I call his attention to the fact that when the President was making his campaign in east Tennessee in 1928 he told the people in that section of the country that he was in favor of having the Government develop Muscle Shoals, and the Cove Creek Dam in connection with it, but afterwards the President vetoed a bill designed to accomplish what he had recommended.

Mr. SHIPSTEAD. I thank the Senator.

At Kansas City on October 19, 1925, in advocating the speedy completion of the Mississippi system of inland waterways, Mr. Hoover, then Secretary of Commerce, said:

We have learned that expenditures on great reproductive public works are neither a waste nor a burden upon the community. They bring a rich harvest in increasing wealth and greater happiness. They tend to strengthen the foundation of agriculture and industry. Even from the narrower point of view of taxation, they are an economy, for it is by such works that we increase the income available to taxation and thus reduce individual burdens.

Mr. NORRIS. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Minnesota yield to the Senator from Nebraska?

Mr. SHIPSTEAD. I yield.

Mr. NORRIS. Where was that statement of President Hoover made, and when?

Mr. SHIPSTEAD. When he was Secretary of Commerce he delivered an address at Kansas City on October 19, 1925. That was seven years ago.

At St. Louis, Mo., on November 22, 1926, he said:

I could not sum up our proposals better than to quote his [President Coolidge's] terse and lucid language in referring to these projects: "It is not incompatible with economy, for their nature does not require so much a public expenditure as a capital investment which will be productive."

So we have the support at that time of President Coolidge and his then Secretary of Commerce, now President, Hoover.

Mr. NORRIS. But that was some time ago, was it not?

Mr. SHIPSTEAD. That was in 1926, just seven years ago.

Mr. NORRIS. That is a good deal like his statement referred to by the Senator from Tennessee about Muscle Shoals. That was made while he was out. He feels differently since he has gotten in.

Mr. SHIPSTEAD. Most people seem to feel differently after they get in. On October 23, 1929, at Louisville, Ky., Mr. Hoover said:

To carry forward all these great works is not a dream of the visionaries, it is the march of the Nation. We are reopening the great trade routes upon which our continent developed. This development is but an interpretation of the needs and pressures of population, of industry, and civilization.

Continuing, he said:

A nation makes no loss by devotion of some of its current income to the improvement of its estate. * * * It is our duty to make them [our waterways] available to our people.

However, here comes a little different note. On May 22, 1932, when the river and harbor section of the bill that happened to be before the Congress was being considered, the President in a letter to the American Society of Civil Engineers said—and this letter was given to the press on May 22, 1932:

> The vice in that segment of the proposals made by your society and others for further expansion of "public works" is that they include public works of remote usefulness; they impose unbearable burdens upon the taxpayer; they unbalance the Budget and demoralize Government credit. * * * Nonproductive "public works" in the sense of the term here used include * * * river and harbor improvements, * * * which bring no direct income and comparatively little relief to unemployment.

Let me read that last statement again:

> Nonproductive "public works" in the sense of the term here used include river and harbor improvements, which bring no direct income and comparatively little relief to unemployment.

When Secretary of Commerce, Mr. Hoover said at Kansas City on October 19, 1925:

> We must conceive and attack their construction as a connected whole, not as a collection of disconnected lake and river projects.

Of course, the President realized that unless we change our point of view and attack their construction as a connected whole and not as a collection of disconnected lake and river projects appropriations for the development of inland waterways would simply continue a wasteful "pork-barrel" expenditure, as they have been in the last 30 or 40 years.

Mr. President, I have referred to the development of the inland waterways, and a plan to develop them on a businesslike basis, and have quoted from statements of the President of the United States while he was Secretary of Commerce, and also since he has been President, statements showing his clear comprehension of the vast benefits to accrue after these waterways were developed, and also his complete understanding of the necessity of completing the inland waterways within a period of five years. He made that statement as long as seven years ago.

On November 22, 1926, the President made a very excellent address in St. Louis, in which he said, referring to the past and also the present method of wasteful "pork-barrel" appropriations and methods of letting contracts:

> We have wasted vast sums of money in interrupted execution and sporadic and irresolute policies, until to-day we find ourselves with a mass of disconnected segments of a transportation system, the peacefulness of some of which from the noise of commerce furnished constant munitions of criticism to our opponents, but which in fact bears no more relation to the real possibilities of our waterways than would the New York Central Railroad if it has but a few stretches of stagecoach in its main trunk lines.
>
> If we are to substitute trains of steel barges on our rivers for box cars, we must not only have depth but we must have interconnection so that we may find employment for these box cars with diversified traffic meshing into the different seasons of the year. Without such a completed and interconnected transportation system we can not expect the most economic transportation on any one section; we can not expect that our waterways will perform their real function either as to cost of transportation or as to supply of sufficient craft, or the building up of sound transportation companies to take advantage of their opportunities. Nor without interconnection of our great Mississippi system with the Lakes will we realize the full values of either.

As President, Mr. Hoover stated at Louisville, Ky., October 23, 1929:

> Substantial traffic or public service can not be developed upon a patchwork of disconnected local improvements and intermediate segments. Such patchwork has in past years been the sink of hundreds of millions of public money.

Permit me to repeat that statement. Here is a statement by the President of the United States giving his opinion of our habitual year-to-year process of appropriating money for the development of inland waterways and the same system is in existence now under the President's so-called relief bill. Here is what he said:

> Such patchwork has in past years been the sink of hundreds of millions of public money.

When the President said that he told the truth. We have wasted hunderds of millions of dollars in this "pork-barrel" method of appropriating money for inland waterways. Because that method is continued with the support of the members of the President's Cabinet, the Secretary of War and the Secretary of the Treasury, is why I feel it my duty to call the attention of the Senate to the great disappointment of the people of the great Mississippi Valley that this program is continued of throwing away the taxpayers' money, in digging a river without completing the channel so that commerce may have the benefit of finished channels for transportation.

Those of us who have endeavored to carry out the program of the President have had no aid or comfort from the White House in stopping "pork-barrel" appropriations and completing a business-like job.

In 1928 the convention that nominated Mr. Hoover for the Presidency had a very excellent plank in their platform, a great promise to the people of the Mid West for relief from that economic degeneration that started after the passage of the transportation act. Here is what the Republican convention said in 1928 in the platform upon which Mr. Hoover became a candidate for the Presidency and upon which he was elected:

> Cheaper transportation for bulk goods from the Mid West agricultural sections to the sea is recognized by the Republican Party as a vital factor for the relief of agriculture. To that end we favor the continued development in inland and intracoastal waterways as an essential part of our transportation system.

Senators will notice that the Republican convention did not designate the development of inland waterways in 1928 as "pork." The platform continued:

> The Republican administration during the last four years initiated the systematic development of the Mississippi system of inland transportation lanes. It proposes to carry on this modernization of transportation to speedy completion. Great improvements have been made during this administration in our harbors, and the party pledges itself to continue these activities for the modernization of our national equipment.

In 1928, the Democratic Party had the following plank in their platform dealing with waterways:

> We favor the fostering and building up of water transportation through improvement of inland waterways and removal of discrimination against water transportation.
>
> We favor and will promote deep waterways from the Great Lakes to the Gulf and to the Atlantic Ocean.

In the absence of Republican support for the President's waterway program, Speaker GARNER included the President's program in the Speaker's relief bill. It came to the Senate under fire from the White House as a part of that bill and was taken out in conference under the pressure, it was said, of the threat of a veto by the President.

Mr. President, in conclusion let me say to Senators who have done me the honor of listening to me that we have spent in the last 40 years $470,000,000 on the Mississippi River system. The only part of the tributaries of the Mississippi that has been completed, and the only part of the Mississippi that has been completed, is up to St. Louis from New Orleans. The Ohio River and its tributaries were completed a few years ago. It was estimated when the plans were laid for its construction that if it could be completed within 10 years it could be constructed for the sum of $60,000,000. But under the system of piecemeal appropriation, under the system of piecemeal letting of contracts, and under the system of "pork-barrel" appropriations for the benefit of contractors who seemed to want no development finished, it took 20 years to develop the Ohio River, and it cost $103,000,000. But in spite of that fact, having been completed, it carried 64,000,000 tons of freight last year, which is 24,000,000 tons more than was carried through the Panama Canal.

All of the Missouri River, the upper Mississippi, and the Tennessee, have not now and have not had any completed channels in spite of the fact that hundreds of millions of dollars have been wasted in so-called inland-waterway development. Because of these facts the people of the great Mississippi Valley, comprising 22 or 23 States, are greatly disappointed that the Congress of the United States and the administration, the representatives of the White House,

have exerted their efforts to prevent a comprehensive scheme for financing, letting of contracts, and development of inland waterways so that the people of this vast inland empire might have the benefit of cheaper transportation and have the benefit of the great savings that could be accomplished if this development was carried out on a businesslike basis.

Think of the $470,000,000 invested in the last 40 years without any material return, without any material benefit except where completed. Think of the loss of interest on the money invested and that is unproductive because of this almost criminal system of "pork-barrel" waste of public funds. Can we wonder that the people are disappointed that the promises made to them have been forgotten? When is the Government of the United States going to keep its promises to the people? Either the system of development of inland waterways ought to be completed on a businesslike basis and save the taxpayers' money and give relief, or we ought to stop the appropriations because of their almost criminal waste of public funds.

Mr. President, I ask to have printed at the close of my remarks a statement issued on June 29 by Mr. C. C. Weber, president of the Upper Mississippi Barge Line Co.

The VICE PRESIDENT. Without objection, it is so ordered.

The statement is as follows:

FATE OF UPPER MISSISSIPPI 9-FOOT CHANNEL PROJECT DEPENDS UPON PRESIDENT HOOVER

The people of the Northwest should know the status of legislation now in Congress having for its purpose a sound and economical plan for financing waterway improvements. The Shipstead-Mansfield bond bill, which was indorsed by the Mississippi Valley Association, the National Rivers and Harbors Congress, and all those sincerely interested in the speedy development of waterways throughout the country, was embodied in full in the national emergency relief bill which has passed the House. The Commerce Committee of the Sen te gave the waterways bond bill its approval; and the Senate relief bill, which has passed the Senate, embodies to an extent its provisions. Both bills are now being considered by Senate and House conferees; and the possibilities are that, if the administration withdraws its opposition, our waterway program will be embodied in the conference report and enacted into law.

The Mississippi Valley and the Northwest have a right to look to President Hoover for support in this particular matter. Before and after his election he was the outstanding advocate of waterway improvements as an aid to commerce, agriculture, and industry. In October, 1929, at Louisville, Ky., he declared for a 5-year construction program to complete the entire Mississippi system. The Shipstead-Mansfield bond bill is the only plan so far proposed that will carry out this program. The depression which followed that address emphasized the immediate need for these improvements not only in aid of commerce, agriculture, and industry, but as a means of relieving unemployment. Further than this, the Mid West has a special right to demand that its balanced trade relations destroyed by governmental action in the building of the Panama Canal be speedily restored through the improvement of the Mississippi Valley system of inland waterways. The duty to correct these distorted conditions without further delay rests with the Government responsible for their creation.

It is with amazement that the people of the Mid West read Mr. Hoover's statement of May 21, 1932, in which he termed river and harbor improvements nonproductive public works. Mr. Hoover, when Secretary of Commerce, traveled the length and breadth of this land advocating the improvement of waterways, including the Mississippi River system, on the premise that it would increase the income of every farmer in the Mid West from 5 to 10 cents per bushel on grains, revive industry, and restore the purchasing power of its people. At Minneapolis on July 20, 1926, he said:

"On the Mississippi system there are no unknown engineering questions. We know what we should do. We know its vast benefits; we know it can be accomplished by comparatively trivial cost compared with these benefits."

President Hoover stated as the policy of his administration that, "We should complete the entire Mississippi system within the next five years."

Three years have since elapsed and no adequate financial policy has been proposed by the administration to carry out its announced policy. The people of the Mississippi Valley and the Northwest have supported the Shipstead-Mansfield bond bill as the only practical financial plan yet proposed to carry out the President's program and this plan will be included in the conference report provided that the administration withdraws its opposition.

We feel in this emergency the public is entitled to the facts in order that the responsibility may be placed where it belongs in the event that this legislation, which means so much to the people of the Mississippi Valley, fails of enactment. This is not a political question. It is and should remain purely economic.

UPPER MISSISSIPPI BARGE LINE CO.,
C. C. WEBBER, *President.*

JUNE 28, 1932.

SOUTH FORK, FORKED DEER RIVER BRIDGE

Mr. VANDENBERG. Mr. President, I ask unanimous consent, out of order, to report back favorably from the Committee on Commerce Senate bill 4976, and I submit a report (No. 1001) thereon. This is a bridge bill which the Senator from Tennessee [Mr. McKELLAR] is very anxious to have sent promptly to the House. There is no controversy about it.

The PRESIDENT pro tempore. Without objection, the report will be received.

Mr McKELLAR. Mr. President, I ask unanimous consent for the immediate consideration of the bill. It will take but a moment.

Mr. REED. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. REED. Will this interfere with the pendency of the motion of the Senator from Vermont [Mr. AUSTIN]?

The PRESIDENT pro tempore. If done by unanimous consent, it will not.

The bill (S. 4976) granting the consent of Congress to the Highway Department of the State of Tennessee to construct a bridge across the South Fork, Forked Deer River, on the Milan-Brownsville Road, State Highway No. 76, near the Haywood-Crockett County line, Tenn., was read, considered by unanimous consent, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the consent of Congress is hereby granted to the Highway Department of the State of Tennessee, its successors and assigns, to construct, maintain, and operate a free highway bridge and approaches thereto across the South Fork, Forked Deer River, at a point suitable to the interests of navigation, on the Milan-Brownsville Road, State Highway No. 76, near Haywood-Crockett County line, Tennessee, in accordance with the provisions of the act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906.

SEC. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

INVESTIGATION OF SHORT SELLING ON STOCK EXCHANGE

Mr. NORBECK. Mr. President, I send to the desk a resolution and ask unanimous consent for its immediate consideration.

The PRESIDENT pro tempore. Without objection, the resolution will be received and read for the information of the Senate.

The resolution (S. Res. 276) was read, as follows:

Resolved, That the Secretary of the Treasury is requested to make available and furnish such information in the possession of the Treasury and its various departments as may be called for and deemed necessary by the Committee on Banking and Currency of the Senate, or any duly authorized subcommittee thereof, or their duly authorized agents, pursuant to the investigation being conducted under Senate Resolution 84, as continued by Senate Resolution 239.

The PRESIDENT pro tempore. Is there objection to the present consideration of the resolution?

Mr. REED. Mr. President, will the Senator explain to us the purpose of the resolution?

Mr. NORBECK. The resolution has reference to the investigation of the stock exchange. It will simply make available to the committee any Government records that the committee as such may believe they need in the Treasury Department, which would include the comptroller's office.

I have another resolution referring to the Federal Trade Commission.

Mr. COUZENS. Mr. President, will the Senator yield to me?

Mr. NORBECK. I yield.

Mr. COUZENS. May I ask the Senator if the resolution would include the submission of income-tax returns to the committee?

Mr. NORBECK. I think it would.

Mr. REED. O Mr. President, that could be done only by act of Congress.

Mr. NORBECK. Then it does not include it.

Mr. REED. That is why I wanted to interpose the correction.

Mr. COUZENS. The purpose of the resolution, as I understood, was to secure the income-tax returns of some of the witnesses who appeared before the committee, to ascertain whether they had not defrauded the Government. In other words, as I recall, the testimony submitted was to the effect that deductions for losses in the case of one firm were made by both the firm and the stockholders themselves. If the resolution does not include that I think it ought to, because it is my understanding that any committee of Congress is entitled to these records.

Mr. REED. Mr. President, if the Senator will yield, by act of Congress those income-tax returns are made confidential, except from the Joint Committee on Internal Revenue Taxation and from the Finance and Ways and Means Committees. That can be changed only by action of the two Houses of Congress, approved by the President. If that is the Senator's purpose—and I am in sympathy with it—he ought to make this a joint resolution, so that it will have the effect of modifying the present statute.

Mr. COUZENS. Will the Senator explain to me, then, how the select committee of the Senate secured all the income-tax returns when the select committee was investigating the Bureau of Internal Revenue?

Mr. REED. I do not recall, Mr. President, excepting that the secrecy provision must have been enacted afterwards.

Mr. COUZENS. Oh, no. The committee kept them secret. The select committee, of which the Senator from Indiana [Mr. WATSON] was chairman at one time, and later myself, kept all of these secret; but there was no joint resolution passed, and we had access to every single return, and there was none exposed. The Banking and Currency Committee intends to follow the same procedure in checking up to see whether these deductions have been made both by firms and by individuals.

Mr. REED. Mr. President, I am in sympathy with what the Senator from South Dakota is trying to do, and I think I have done my duty in calling his attention to the possible invalidity of his resolution; but I am perfectly willing to let him pass it for what it is worth.

Mr. NORBECK. All right; and I want to say to the Senator from Pennsylvania that I have another resolution drafted to cover the specific matter that has been referred to here.

The PRESIDENT pro tempore. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was considered by the Senate and agreed to.

Mr. NORBECK. Mr. President, I offer another resolution, which I send to the desk and ask to have read.

The PRESIDENT pro tempore. Without objection, the resolution will be received and read for the information of the Senate.

The resolution (S. Res. 277) was read, as follows:

Resolved, That the Federal Trade Commission is requested to make available and furnish such information in its possession as may be called for and deemed necessary by the Committee on Banking and Currency of the Senate, or any duly authorized subcommittee thereof, or their duly authorized agents, pursuant to the investigation being conducted under Senate Resolution 84 as continued by Senate Resolution 239.

The PRESIDENT pro tempore. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was considered by the Senate and agreed to.

SILVER SITUATION—ANALYSIS BY SENATOR PITTMAN

Mr. KING. Mr. President, the senior Senator from Nevada [Mr. PITTMAN] has prepared a very able and lucid analysis of the present silver situation. I am sure it will be considered of value by those who are interested in the silver question, which is indeed our monetary question. I ask that the analysis may be printed in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The analysis is as follows:

The silver plank in the Democratic platform is a victory for the Western States, which are both directly interested in the production of silver and in the export trade to China. The rehabilitation of silver, of course, is a world economic question which affects all international trade and commerce, and particularly that of the United States.

Before analyzing the effect of the promise with regard to silver contained in the Democratic platform it will be better instead if we quote the plank. It reads as follows:

"We advocate: A sound currency to be preserved at all hazards; and an international monetary conference called on the invitation of our Government to consider the rehabilitation of silver and related questions."

In the first place, the plank satisfies all sections of the country and those Democrats who had an abiding fear that the efforts toward the rehabilitation of silver meant some form of attack of a destructive nature upon our existing monetary system.

Again, it is emphatic in its promise that our Government, under a Democratic administration, will issue the invitation for an international conference, not alone "to consider * * * the position of silver," as stated in the Republican platform, but for "the rehabilitation of silver," as stated in the Democratic platform. The strongest promise carried in the plank, from the viewpoint of the West, is the unequivocal pronouncement in favor of the "rehabilitation of silver."

While shorter—and necessarily shorter—than the plank that I submitted on the subject to the platform committee, it follows closely and contains substantially all of the promises that I requested. I realized, when drafting the plank that I submitted, that it was the purpose of the committee to prepare and adopt a short platform, and that, in such event, details of promised legislation would be impossible.

Some of the friends of the rehabilitation of silver, not realizing the situation, might at first experience some disappointment. I am aware that some of the delegates from some of the silver-producing States advocated a much further advance than is expressed in the platform. They should not be disappointed at their failure. They have been far more successful than were western delegates to the Republican convention.

The Democratic plank discloses a sincere sympathy for the rehabilitation of silver and the determination that our Government shall take the initiative. Without such sincere sympathy, no platform pronouncement has any value or gives any assurance. This plank assures that a conference will be held in the United States, where it should be held. It insures that the representatives of our Government at such conference will be in sympathy with the purpose proposed to be obtained and will include representatives who are not only in sympathy with the purpose of bringing about the rehabilitation of silver but who understand the subject.

An amendment to the second deficiency appropriation bill providing $40,000 to defray the expenses of our Government in such conference has just been adopted. This will make it possible for the President to appoint Members of the Senate and House and economists in civil life as members of such a conference, in addition to representatives of the executive department. This is of great importance, as the financial and economic advisers of the present administration have disclosed that they are not in sympathy with any effort for the rehabilitation of silver.

It is to be hoped that the strong pronouncement in the Democratic plank will convince President Hoover of the expediency, if not the wisdom, of issuing the invitation for such a conference. Every Member of the United States Senate, as far as I know, is in favor of the calling of such a conference by our Government.

In February a year ago the Senate voted unanimously for a resolution introduced by me requesting the President to invite the other governments of the world to an international conference for the purpose "of having governments agree to abandon or suspend the policy and practice of debasing and melting up silver coins and disposing of the metal upon the markets of the world," and for the further purpose of agreeing upon the uses and status of silver as money.

Recently the Committee on Banking and Currency of the United States Senate reported favorably a bill introduced by me for the purchase by our Government of silver produced in the United States at the market price and with silver certificates. This bill will undoubtedly pass Congress unless the congested condition of emergency legislation prevents its consideration. By thus taking off of the markets of the world about the same amount of silver annually that is now being dumped by India through the melting up of silver coins, it will aid in the rehabilitation of silver. It will suggest one plan for the consideration of an international conference. There are many other plans that, of course, will be considered at such a conference.

The situation looks more encouraging than it ever has during the 19 years that I have been in the Senate.

REPUBLICAN AND DEMOCRATIC PLANKS ON PROHIBITION

Mr. BROOKHART. Mr. President, I ask permission to have printed in the RECORD an excerpt from the keynote speech of the chairman of the Prohibition National Conven-

tion held at Indianapolis, July 5–7, 1932, on the subject of the Republican and Democratic planks on prohibition.

The VICE PRESIDENT. Without objection, it is so ordered.

The excerpt is as follows:

The Democratic liquor plank is perforated with corkscrews and bungholes. Not satisfied with repeal, it demands the nullification of the eighteenth amendment by an act of Congress permitting the manufacture and sale of preprohibition beer and "other alcoholic beverages" pending repeal.

If the Democratic Party carries the Congress and wins the Presidency on that plank, the eighteenth amendment is doomed and damned. The dry Democrats of the South must assume the responsibility for the return of the legalized liquor traffic if they support that platform.

If they were justified in rejecting Al Smith, and if they rejected him as they said they did, not on account of his religion but because he was wet, even when the platform and the vice presidential candidate was dry, how can they consistently support the ticket now, with both candidates and platform calling for repeal and nullification pending repeal?

We would prefer, if the legalized saloon is to come back, that it come back by a Catholic President than that it should return at the hands of a Protestant, whether High Church Episcopalian or Low Church Quaker.

A HOUSE DIVIDED

The Republican National Convention was divided into two camps, the wringing wets and the wobbling wets. Not a voice was heard but the voice of Esau, ready to sell the birthright of the party for a mess of wet politics. "When the country is teetering on an economic brink, all the Republicans can think about is whisky," said William Allen White at the Chicago convention. "It is grotesque that our sole interest here is in a bottle of booze."

The wringing wets were led by Butler, BINGHAM, and Wadsworth; the wobbling wets were led by the administration "yes men," Garfield, Mills, and Brown. The party not only adopted a repeal plank, it did worse. It proposes, without repealing the amendment, to allow the States by a majority referendum to decide whether they will come under the operation of the Constitution; to put into the Constitution a modifying substitute amendment that applies only to a part of the States while the original amendment will continue to apply to the others. It is what Raymond Robins and the dry leaders have been denouncing as "selective anarchy" for years.

GOOD LORD—GOOD DEVIL

James Francis Burke, general counsel for the Republican National Committee, says, "The plank is fair to both wets and drys, because the major principles of the prohibitionists are preserved and the major demands of the antiprohibitionists are met!" The drys who demand the maintenance of the amendment find that the party is opposed to repeal; the wets who demand repeal find that the party, while retaining the amendment in the Constitution, proposes by the adoption of a supplementary amendment "to allow the States to deal with the problem as their citizens may determine" in a referendum election, thus to license the manufacture and sale of what the Constitution forbids!

Let us suppose that after the adoption of the thirteenth amendment abolishing slavery the Democratic Party had won the election on a plank permitting the former slave States to decide by a majority vote whether the thirteenth amendment should become operative in those States and that the Federal Government would pledge itself to protect such States in their choice, whether it was to abide by the thirteenth amendment and remain free, or rescind the thirteenth amendment and restore the institution of slavery in those States. That is the Republican liquor plank. "If there is no other name by which we may call it, let us call it treason."

The New York Times calls it "left-handed repeal," and says to get that "one has to cut through the worst jungle of verbiage that platform makers ever devised to conceal their thought." The Republican Herald Tribune says, "It includes retention and repeal, a Bratt system, a Quebec system, and a further beauty is none other than the essence of the famous Raskob-Smith plan."

There never was a clearer case of political larceny in American history. It is the Raskob-Smith liquor plank written into the Republican platform bodily. "Leave the eighteenth amendment in the Constitution exactly where it is and put a new amendment in the Constitution which will provide that nothing in the Constitution of the United States shall prevent any State from taking over complete control of manufacturing, transportation, importation, and sale of intoxicating beverages within its own territory," said Raskob at the Democratic National Committee meeting a year ago and at Boston and elsewhere since.

I denounced it as a treason against the Constitution then and I will not vote for it now.

"The Raskob plan, to my way of thinking, meets the prohibition question, * * * a proposal which shall allow any State to get from under the operation of the eighteenth amendment, after a plan approved by it in a popular referendum," said Al Smith in Boston last January and elsewhere.

And we dry Christians who damned Al Smith and supported Herbert Hoover in the last election are now asked to swallow that! Dressed in sheep's clothing and labeled "Republican," we are asked to accept it and give to it the sanction of our votes. Whoever does that owes an apology to Al Smith for what the Protestant pulpit did to him in the last presidential election. If now we support a wet Protestant of either party who stands for the same thing, we will brand ourselves as hypocrites before an accusing world.

THE HOOVER HOAX

It is worse than the Curtis hoax that betrayed Colonel Lindbergh while a guest at his table. The Republican ambidextrous, amphibious, and porus-plaster plank is capable of bending in either direction like a piece of whalebone. It takes off from dry land and cracks up in a still. It avoids the word repeal, but provides the method for repeal. It is the most pitiful example of ducking, dodging, and duplicity in the history of American politics. It is the most stupendous, titanic, colossal, calamitous, crimson, consciousless, barbaric, and cataclysmic fraud ever perpetrated upon the American people.

As Senator BORAH said in his speech in the Senate three days after its adoption, "It destroys the uniformity of the Constitution throughout the United States. It permits us to have a Constitution applying in one part of the country and not applying in another * * * it is nothing but legalized secession."

"The platform," the Senator says, "has but one definite, unmistakable proposition in it, and that is the repeal of the eighteenth amendment." And the association of organizations in support of the eighteenth amendment are asked to vote for that!

For the past six months the National United Committee has been campaigning in New England, calling upon the people in over 300 mass meetings to "stand by President Hoover" in his brave fight to uphold the Constitution, assuring them, as the President's friends have assured us, that he would not weaken in his support of the eighteenth amendment, proclaiming in half a thousand pulpits that our "unfinished task was to hold New England for the constitutional candidate in the November election," and that "Massachusetts, Rhode Island, and Connecticut was the cockpit in the conflict." I owe to them an apology! And the President owes an apology to the cause which he has betrayed.

POLITICAL EXTREMITY IS PROHIBITION'S OPPORTUNITY

The enemies of national constitutional prohibition are divided into two wet camps. The hour has struck for a new political realignment of the patriotic voters of the country, uniting the drys of the Democratic South with the dry Republicans of the North into a solid phalanx of American patriots in defense of the Constitution as framed by the founders of the Republic and constitutionally amended by their successors, until, as Washington said in his Farewell Address, "It has been changed by the explicit and authentic act of the whole people."

In this hour of their division into two hostile camps there is the possibility of the election of a constitutional President by the united moral forces of the Nation. Moral revolutions do not require, and seldom if ever have received, the support of the majority. The election of Abraham Lincoln and the abolition of slavery did not come about through the support of the majority, but by the division of the proslavery Democratic opposition. Abraham Lincoln was a plurality President, lacking one million and a half of having a majority. The same was true of our World War President, Woodrow Wilson, who was elected by a division of the opposition into two separate camps, and lacked more than two and a half million votes of having a majority.

If those national dry organization and those militant religious denominations which have repeatedly warned the President and the Republican Party of the penalty they would pay if they betrayed the eighteenth amendment to the Constitution make good their threats and prove that their professions of loyalty to prohibition were not empty words, if they will show their faith by their votes and carry out their expressions of devotion and the punishments which they have again and again declared they would impose, the next President of the United States will be a dry candidate of their choice.

The Prohibition Party offers them such a candidate and stands pledged to withdraw him for Senator BORAH or any other candidate on a dry platform that the association of organizations in support of the eighteenth amendment will name. The responsibility is theirs. "Choose ye this day whom ye will serve."

HOUSE BILLS REFERRED

The following bills were each read twice by their titles and referred as indicated below:

H. R. 8374. An act to authorize the settlement, allowance, and payment of certain claims, and for other purposes, was read twice by its title; to the Committee on Claims.

H. R. 10372. An act to authorize the Director of Public Buildings and Public Parks to employ landscape architects, architects, engineers, artists, or other expert consultants; to the Committee on Public Buildings and Grounds.

RECESS

Mr. McNARY. Mr. President, I move that the Senate take a recess until 11 o'clock to-morrow morning.

The motion was agreed to; and the Senate (at 6 o'clock and 12 minutes p. m.) took a recess until to-morrow, Friday, July 15, 1932, at 11 o'clock a. m.